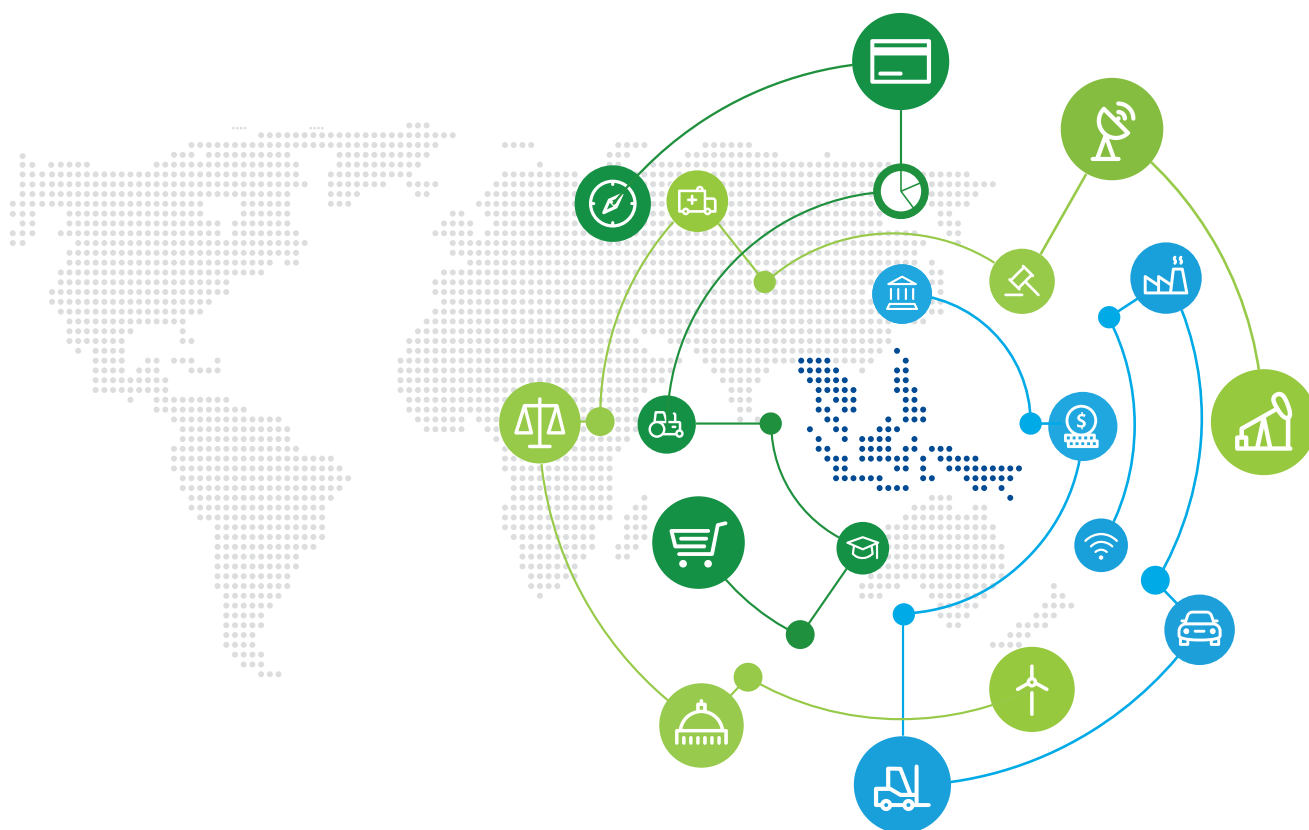




# Quarterly Economic Report: Q1 | 2016







Dear Our Valued Clients,

We are very pleased to release Quarterly Economic Report Q1|2016 to you. It is a part of our constant endeavors to provide valuable insights to our clients. This high level update and summary of the market conditions will hopefully be beneficial in helping you to understand the business environment so as to support you in your decision making process and further development of your business strategies.

Global economy continues to be sluggish from the economic turbulence such as financial fluctuation, volatility in oil prices, weaker capital flows and subdued global trade. The projection for global economic growth is 3.2% in 2016. The recovery is forecasted in 2017 and beyond, triggered by emerging market and developing economies. Asia's growth will expectedly remain steady as some economies such as India and ASEAN gradually grow. Stronger aggregate growth of ASEAN economy will accelerate from 4.6% in 2015 to 5.0% in 2016. Meanwhile, Thai economic growth will slightly improve and reach 3.0% in 2016 underpinned by government consumption and investment as well as the progress of large-scale infrastructure projects.

On behalf of Deloitte Thailand, we very much look forward to supporting you in the dynamic and changing business environment. If you have any questions or inputs, please do not hesitate to contact us at Deloitte.

Best regards

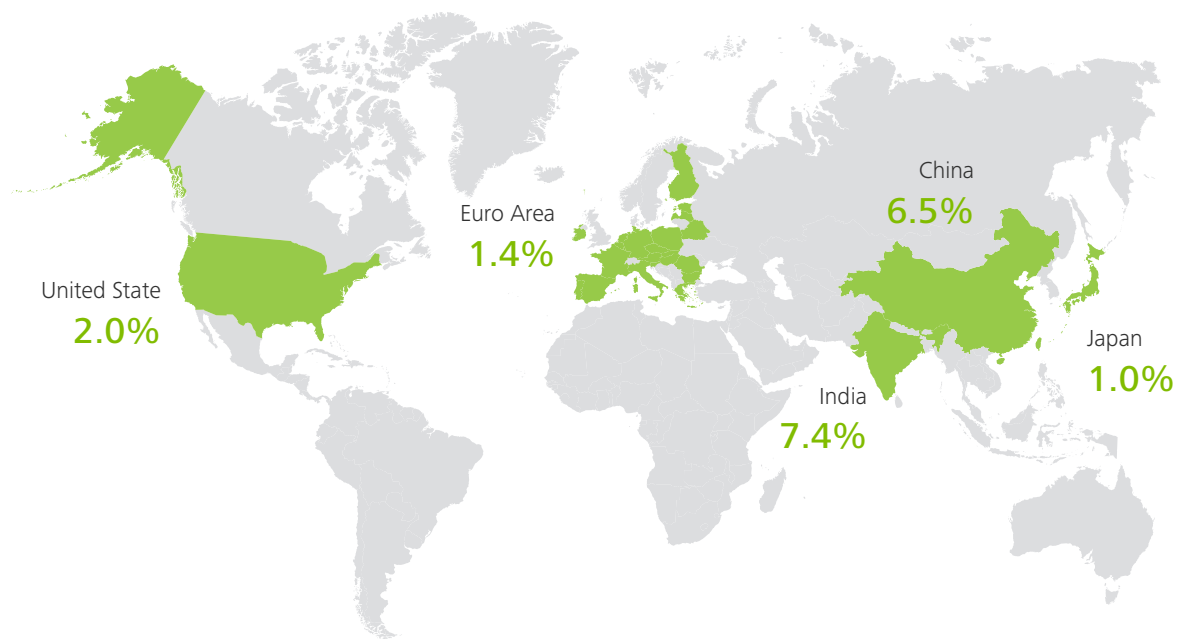
Subhasakdi Krishnamra  
Country Managing Partner

# Executive Summary

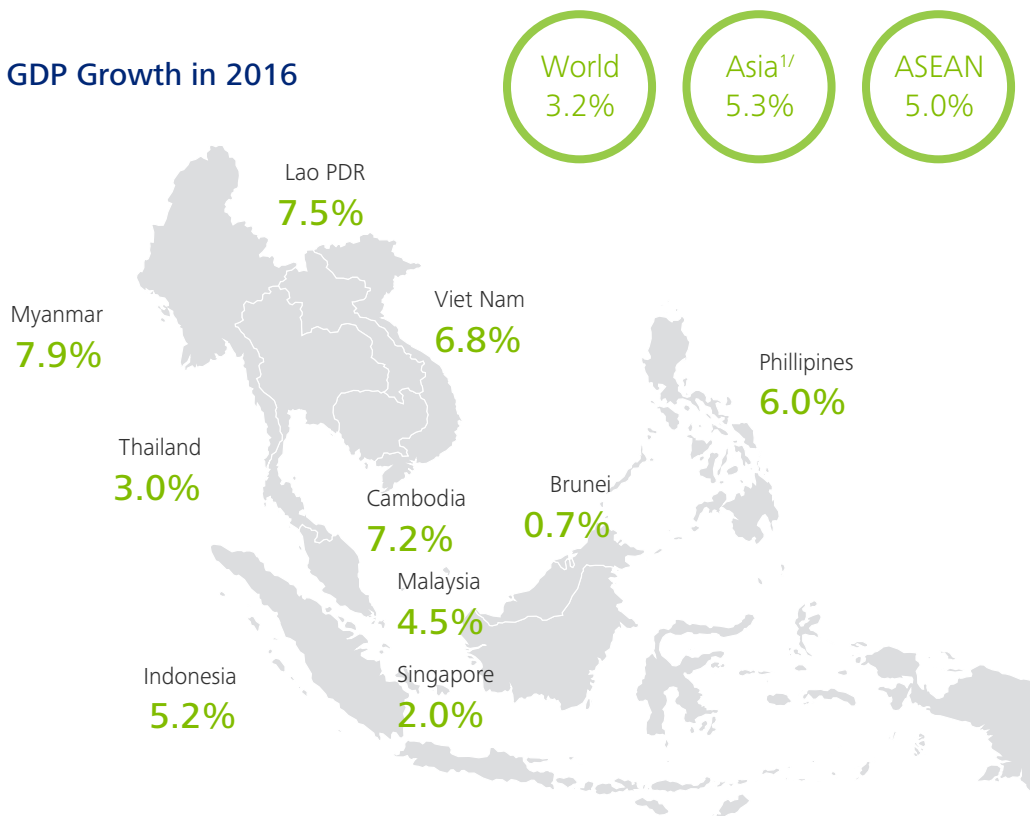
# Executive Summary

Global economy continues to be sluggish from the economic turbulence. The projection for global economic growth is 3.2% in 2016 but the recession seems unlikely.

## Global and major economies' GDP growth in 2016



## ASEAN's GDP Growth in 2016



Sources: ADB, EIU, European Economic forecast, & IMF  
Remark : 1/ Asia's GDP growth excl. Japan

- Global economy is still facing many uncertainties and risks that could weaken growth such as financial fluctuation, volatility in oil prices, weaker capital flows and subdued global trade. The sign of recovery has found to be low but recession seems unlikely. The global economy is projected to recover in 2017 and beyond, triggered by emerging market and developing economies as their economies gradually grow.
- Growth in developed economies will be steady and primarily rely on the central bank stimulus. A slight recovery is expected to continue in 2016. Meanwhile, growths in emerging countries and developing economies remain challenging owing to the ongoing slowdown in some large economies such as China, Brazil, Russia, and some countries in the Middle East.
- Despite the further slowdown in Chinese economy, the economic growth in Asia will expectedly remain steady as some economies such as India and ASEAN have continued to grow. Thus, Asia's economic growth in 2016 is forecasted to moderate slightly at 5.3% compared to 5.4% in 2015.
- Stronger aggregate growth of ASEAN economy is forecasted to accelerate from 4.6% in 2015 to 5.0% in 2016 as AEC member states will continue their infrastructure development initiatives in the coming years.
- Thai economic growth in 2016 is projected at 3.0% underpinned by government consumption and investment as well as the progress of large-scale infrastructure projects.



Sources: Compiled from various research houses & agencies (e.g. IMF, ADB, EIU, NESDB) & DTTJ Analysis  
 Remark : Asia's GDP growth excl Japan

# Global & Asian Economic Review

The global economy is set for a sluggish year.  
The slowing recovery drags on with uncertain pace.

Growth in developed economies will remain steady. Meanwhile, the ongoing slowdown in some large emerging countries and developing economies poses challenges on the global growth.

### World Economy

- Global economy is still facing many uncertainties and risks that could weaken growth such as financial fluctuation, volatility in oil prices, weaker capital flows and subdued global trade. The global economy is projected to recover in 2017 and beyond, triggering by emerging market and developing economies as their economies gradually grow.

### United States

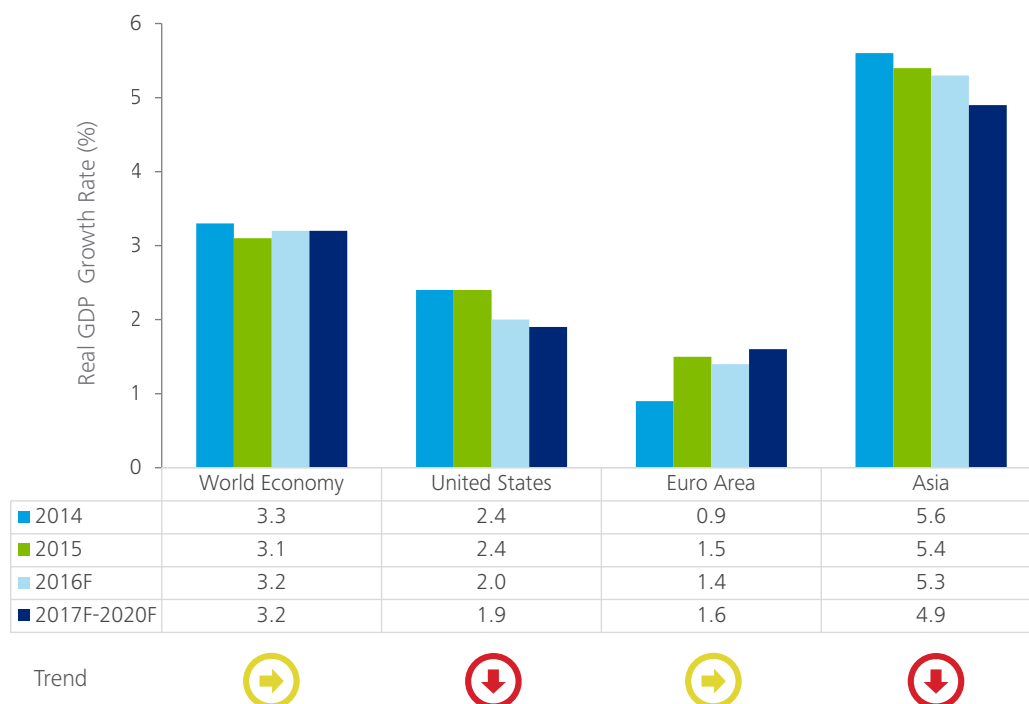
- The economic outlook for 2016 is projected to grow 2.0% supported mainly by the strong private spending as a result of healthy job growth, higher real wages and disposable income, an expansion in lending, and house price gains; however, the strong dollar will reduce demand for US exports.
- A mild recession in 2019 is forecasted as the business cycle comes to an end. Without the significant investing in productivity area and a broad improvement to the global economy, the average economic growth of 1.9 is expected in 2017-2020.

### Euro Area

- An improvement of labor market, higher investment, low oil prices and ultra-loose monetary policy will continue to accelerate growth in the coming years; however, some challenges such as political uncertainty, weak prospects in emerging markets, and security concern are likely to drag on the region's economic performance.

### Asia (excl Japan)

- Asia's growth in 2016 will grow at 5.3% compared to 5.4% in 2015 as the stronger economic growth in some economies such as India and ASEAN help offset the effect from economic slowdown in China.
- A projected slowdown in aggregate investment spending and weaker demand in developed economies are expected to limit the region's growth prospects from the 2016 onwards.

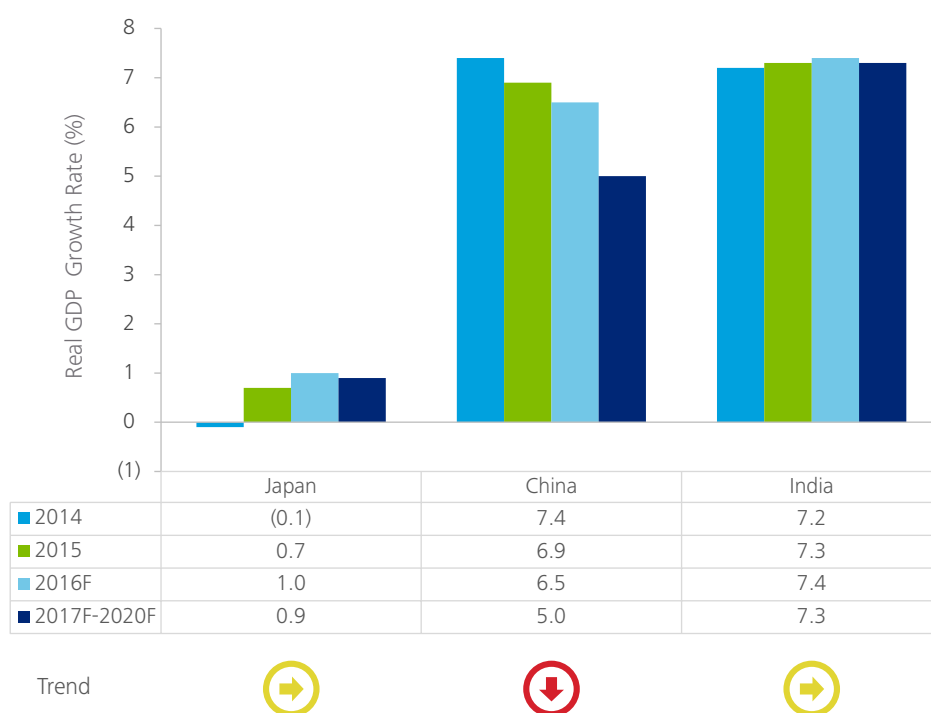


Sources: ADB, EIU, European Economic Forecast, & IMF.



## The region need to cope with both internal and external challenges to gain economic momentum

Chinese economy is still unlikely to see significant improvement in 2016. Meanwhile, the gradual growth of other economies such as Japan, India, and ASEAN will help boost the region's performance.



Sources: ADB, EIU, European Economic Forecast, & IMF

### Japan

- Japanese economy is facing the difficulty to achieve the stable growth owing to subdued private spending and weak global demand. An economic slowdown will expectedly persist to 2017 since the consumption tax rate will be raised to 10%.
- The main challenge to the upcoming year is the demographic factor. The contraction of overall population and labor force will cause the decline in consumer and cooperate consumption. Thus, economic growth is projected to average 0.9 a year in 2017-2020.

### China

- The Chinese economy is struggling with a prolonged economic slowdown due to the structural reform. It is forecasted that economic growth in 2016 will reduce to 6.5%, compared to 6.9% in 2015.
- An average real GDP growth in China is set to 5.0% in 2017-2020 owing to the slow pace of reform, a failure to balance the debt level, weak private consumption, and the slowdown in investment, especially housing construction.
- With bold support from Chinese government via cheap credit, loose monetary policy, and real investment, it should help cushion the chance of the hard landing due to the domestic imbalance and weak external demand.











### India

- Economic growth in 2016 is projected at 7.4% led primarily by service sector. The strong fundamentals such as high saving rates, rising labor force growth and a rapidly expanding middle class will help sustain the performance in 2017-2020.
- The electricity and bankruptcy reforms will help support the manufacturing sector and improve capital allocation and financial sector. Nevertheless, the shortages of labor in key sectors and the difficulties involved in shifting resources to higher productivity manufacturing could constrain the future growth.

# AEC Economic Review

# Overall, AEC competitiveness is rising.


## Global Competitiveness

ASEAN		Rank 2013/14	Rank 2014/15	Rank 2015/16	2016 vs. 2015
Singapore		2	2	2	→
Malaysia		24	20	18	↑
Thailand		37	31	32	↓
Indonesia		38	34	37	↑
Philippines		59	52	47	↑
Viet Nam		70	68	56	↑
Lao PDR		81	93	83	↑
Cambodia		88	95	90	↑
Myanmar		139	134	131	↑
Brunei		n/a	n/a	n/a	n/a

Source: World Economic Forum

- ASEAN-5 including Singapore, Malaysia, Thailand, Indonesia, and Philippines, overall, can maintain their competitiveness in the global level despite threats from slow global growth and lower commodity prices.
- Cambodia, Lao PDR, Myanmar, and Vietnam or the so-called “CLMV” could perform better in the coming years with the use of its abundant resources and uplifted labour skills.
- The implementation of the AEC Blueprint 2025 will help transform the region to become the middle-income economy and, thus, improve the regional standard of living.

## Ease of doing business



ASEAN		Rank 2014	Rank 2015	Rank 2016	2016 vs. 2015
Singapore		1	1	1	→
Malaysia		20	18	18	→
Thailand		28	26	49	↓
Brunei		98	101	84	↑
Viet Nam		72	78	90	↓
Philippines		86	95	103	↓
Indonesia		117	114	109	↑
Cambodia		134	135	127	↑
Laos PDR		155	148	134	↑
Myanmar		178	177	167	↑

Source: World Bank

- Singapore, Malaysia, and Thailand are the top 3 countries with high score on ease of doing business in SEA region.
- The inauguration of AEC in December 2015 and serious implementation of AEC Blueprint 2025 are expected to induce a significant change momentum for the region.
- However, domestic regulations and the lack of public infrastructures remain the obstacles to expedite the AEC to reach its growth potentials.

# AEC is one of the world top tourist destinations












## Travel & Tourism Competitiveness

ASEAN		Rank 2011	Rank 2013	Rank 2015	2015 vs. 2013
Singapore		10	10	11	↓
Malaysia		35	34	25	↑
Thailand		41	43	35	↑
Indonesia		74	70	50	↑
Philippines		94	82	74	↑
Viet Nam		80	80	75	↑
Lao PDR		n/a	n/a	96	n/a
Cambodia		109	106	105	↑
Myanmar		n/a	n/a	134	n/a
Brunei		67	72	n/a	n/a

Source: World Economic Forum

- AEC has gained a significant growth in international arrivals in the past recent years partly as a result of its region's price competitiveness, tourism campaigns, and the rapid expansion of its middle class income tourists from the Asia-Pacific region.
- Regional co-operation on visa-exemption policies could further attract foreign tourists.
- Investments are also needed in digital connectivity, infrastructure and protection of rich natural tourist resources.

## AEC member states' GDP component breakdown

		Nominal GDP (billion USD)	GDP Components				
			Private Consumption (%)	Government Consumption (%)	Total Investment (%)	Net Export (%)	Statistical Discrepancy (%)
ASEAN-10		2,506.8	55.7	11.0	28.5	4.9	(0.1)
Brunei		17.1	15.6	21.6	27.5	34.0	1.3
Cambodia		16.6	77.1	5.5	22.0	(4.3)	(0.1)
Indonesia		888.6	57.2	9.5	34.7	(0.8)	(0.7)
Lao PDR		11.7	-	-	-	-	-
Malaysia		338.1	52.4	13.3	25.0	9.2	-
Myanmar*		63.1	← 67.2 →		35.3	(7.8)	5.2
Philippines		284.6	72.4	10.4	20.9	(3.7)	-
Singapore		307.9	36.8	10.0	27.6	24.4	1.1
Thailand		404.8	52.3	17.1	24.1	6.6	(0.1)
Viet Nam		185.9	65.8	6.3	26.8	3.3	(2.2)

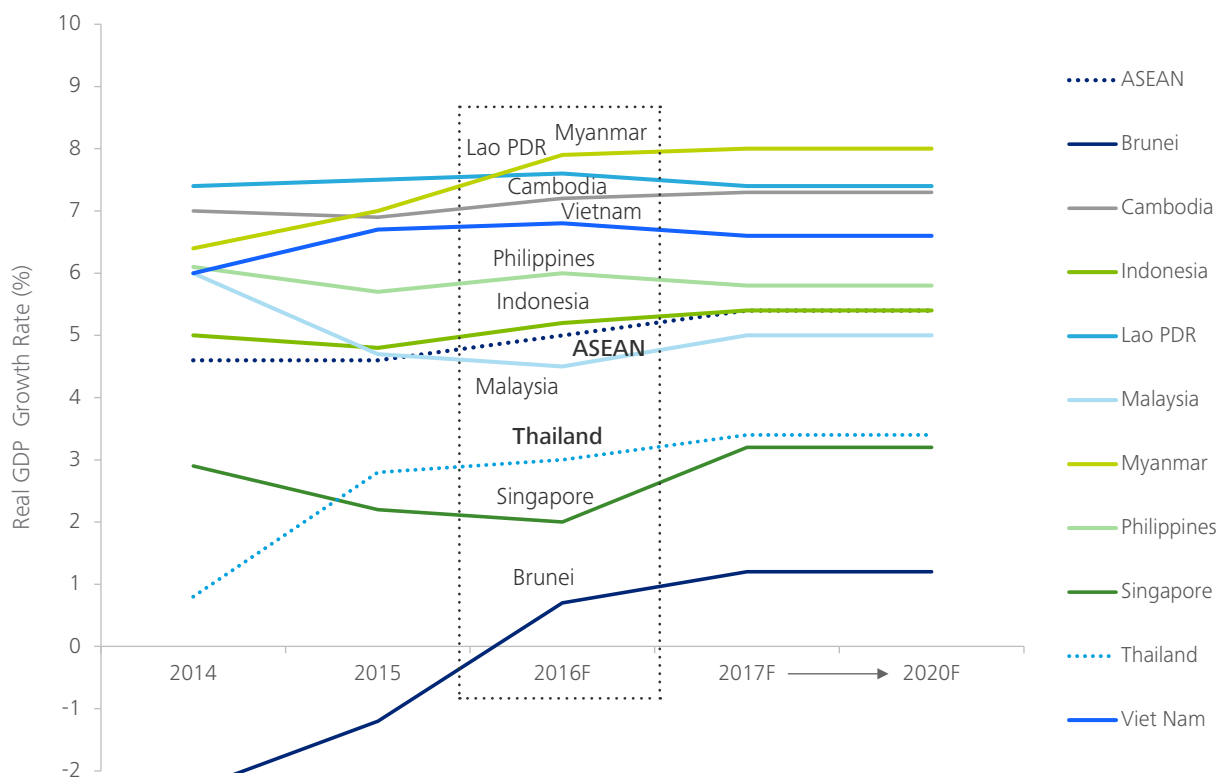
Sources: Key Indicators for Asia and The Pacific 2015 by ADB, IMF, & DTTJ Estimates

\* Note: Myanmar combines private and government consumption.

# AEC is expected to have a better growth momentum in 2016 and years after amid weakness in the world economy.

Stronger aggregate growth of AEC economy is forecasted to accelerate from 4.6% in 2015 to 5.0% in 2016 and average 5.4% during 2017-2020 as AEC member states will continue their infrastructure development initiatives in the coming years.

**Real GDP growth rate of ASEAN economies from 2014 – 2020F**



Real GDP Growth Rate (%)	ASEAN	Brunei	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam
2014	4.6	(2.3)	7.0	5.0	7.4	6.0	6.4	6.1	2.9	0.8	6.0
2015	4.6	(1.2)	6.9	4.8	7.5	4.7	7.0	5.7	2.2	2.8	6.7
2016F	5.0	0.7	7.2	5.2	7.5	4.5	7.9	6.0	2.0	3.0	6.8
2017F-2020F	5.4	1.2	7.3	5.4	7.6	5.0	8.0	5.8	3.2	3.4	6.6
Trend	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑

Sources: ADB, EIU, IMF, NESDB, & Research Houses.

# Brunei

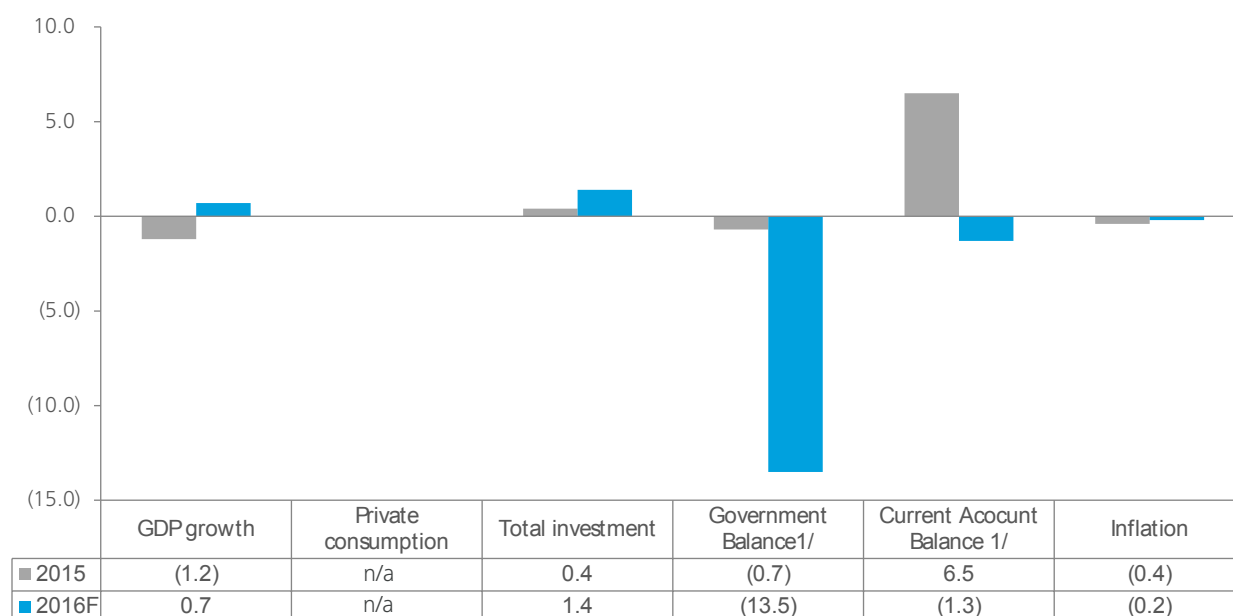
The sultanate's economy is projected to return to growth with assumptions that oil and gas production continues to recover gradually and that the government keeps significant investment in infrastructure.



- GDP growth in 2016 is forecasted at 0.7% closely linked to the performance of the oil and gas sector, which accounts for two-third of the economy.
- In addition, government budget deficit is expected to be significant around 13.5% of GDP in 2016.
- Infrastructure development projects such as a bridge to Pulau Muara Besar Island, Chinese-invested petrochemicals refinery will continue over the next 3 - 4 years. These will support production in the future and help diversify the economy through export-oriented manufacturing and services instead of a massive reliance on oil and gas.
- Lower global oil and gas prices further diminish Brunei's export revenue and cause current account deficit in 2016. it is expected that some recovery in oil prices should rejuvenate exports and current account status in 2017.

## Brunei economy forecasted to grow 0.7% in 2016

Real expenditure on GDP (% change)



Sources: ADB, EIU, and IMF.

<sup>1/</sup> % of GDP.

# Cambodia

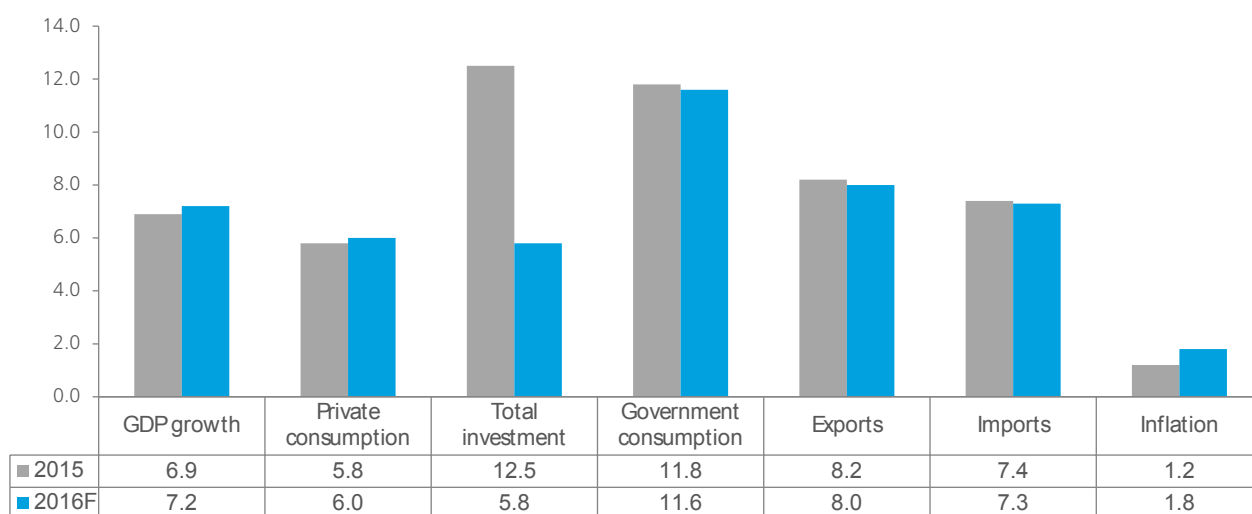
Cambodian economic outlook is positive driven by private consumption, labour-intensive manufacturing, construction, and services, as well as moderate inflation.



- Economic growth is projected at 7.2% in 2016 driven largely by private consumption, which accounts for around three-quarters of GDP. Incomes will continue to rise rapidly as productivity rises and the development of higher-value sectors, such as low-end electronics manufacturing.
- Investment growth is still positive. Cambodia's growing relations with China help access the capital that China is making available for overseas infrastructure projects under "One Belt, One Road" programme sponsored by the China-led Asian Infrastructure Investment Bank (AIIB).
- Rapid credit growth and a real estate boom have heightened risks in the financial sector. Other risks include sluggish growth in major export markets and a stronger US dollar that, under high dollarization, is likely to further erode Cambodian competitiveness.

## Cambodian economy forecasted to grow 7.2% in 2016

Real expenditure on GDP (% change)



Sources: ADB, EIU, & IMF.

# Indonesia

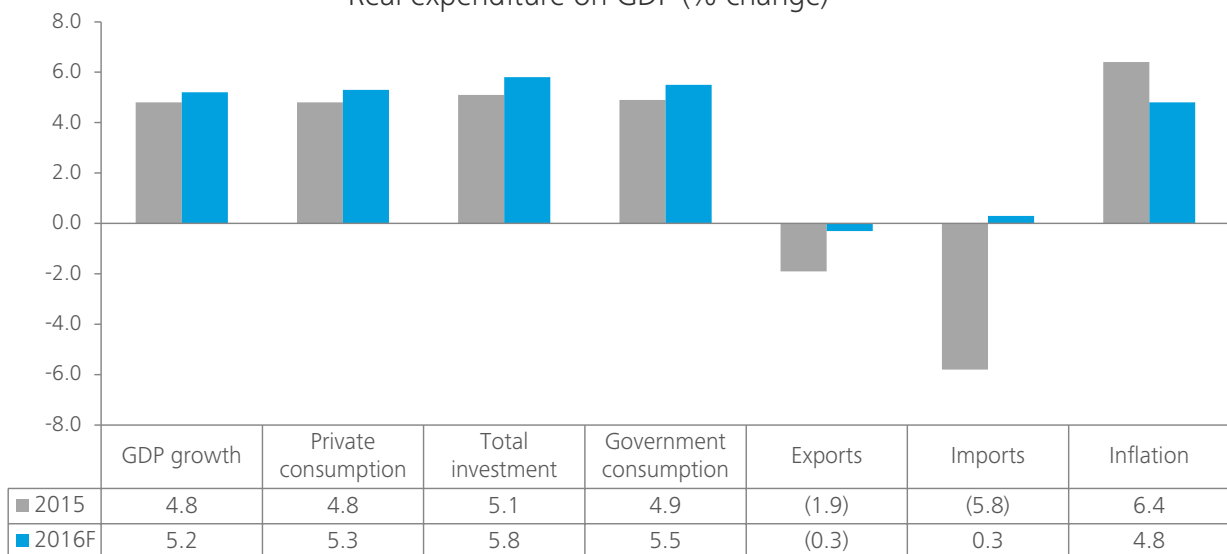
Public infrastructure investment is considered as the major driver of economic growth from 2016 onwards. Further reforms will help boost productivity, domestic and foreign investment, and encourage new sources of growth.



- Indonesian economy is forecasted to grow 5.2% in 2016. Public investment is expected to accelerate in 2016 as key infrastructure projects initiated in the previous period gather momentum and new public mega projects get under way.
- Private consumption is projected to have a better growth affected by stabilized inflation. In addition, higher government spending will encourage private investment, which, together with the implementation of structural reforms, will enhance the investment climate.
- Structural reforms will encourage several industries with potential for strong growth include tourism, marine fisheries, aquaculture, e-commerce to serve the growing middle class, and agricultural commodities with higher value added.

## Indonesian economy is forecasted to grow 5.2% in 2016

Real expenditure on GDP (% change)



Sources: ADB, EIU, & IMF.



# Lao PDR

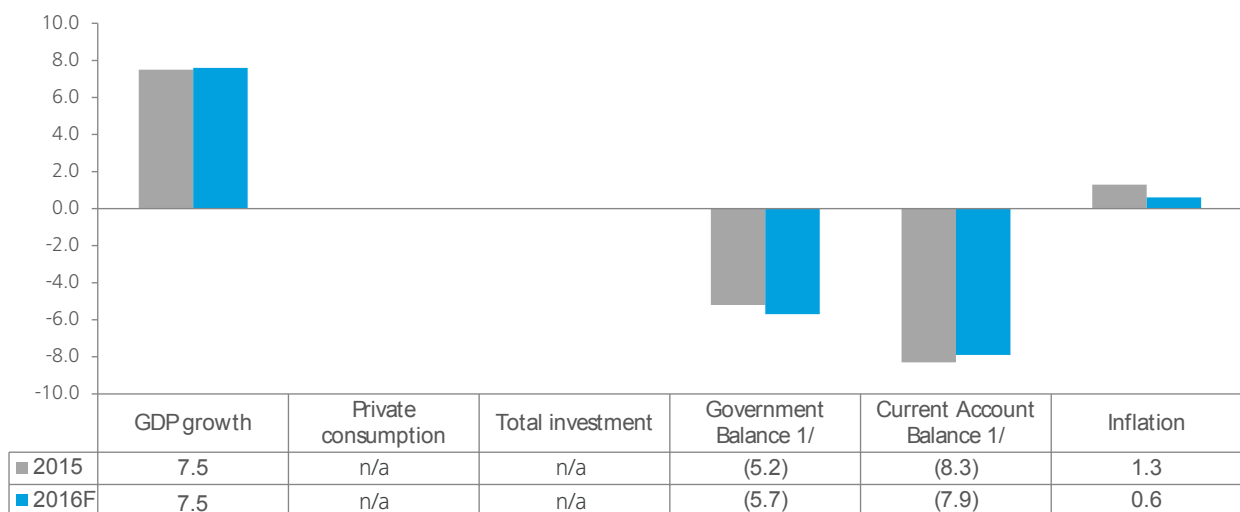
GDP growth is forecasted at 7.5% in 2016 driven by hydropower and infrastructure projects. Rising tourist arrivals and inflows of remittances from Thailand will help sustain private consumption.



- Hydropower construction projects in the pipeline and work on a railway to China continue to reinforce GDP growth from 2016 onwards.
- Investment spending will accelerate, private consumption will pick up thanks to low inflation and mineral and power export will continue to expand.
- Growth in construction will stem from new hydropower plants (e.g. the 1,300 mega watt Xayaburi project) as well as by new commercial, industrial, and residential developments.
- Service sectors will gain a robust expansion as a result of tourism boom, development in finance and telecommunications.
- Agriculture is projected to pick up in 2016, assuming better weather. However, mining is likely to be subdued in light of soft global demand and prices for minerals.

## Lao PDR economy forecasted to grow 7.5% in 2016

Real expenditure on GDP (% change)



Sources: ADB, EIU, & IMF.

# Malaysia

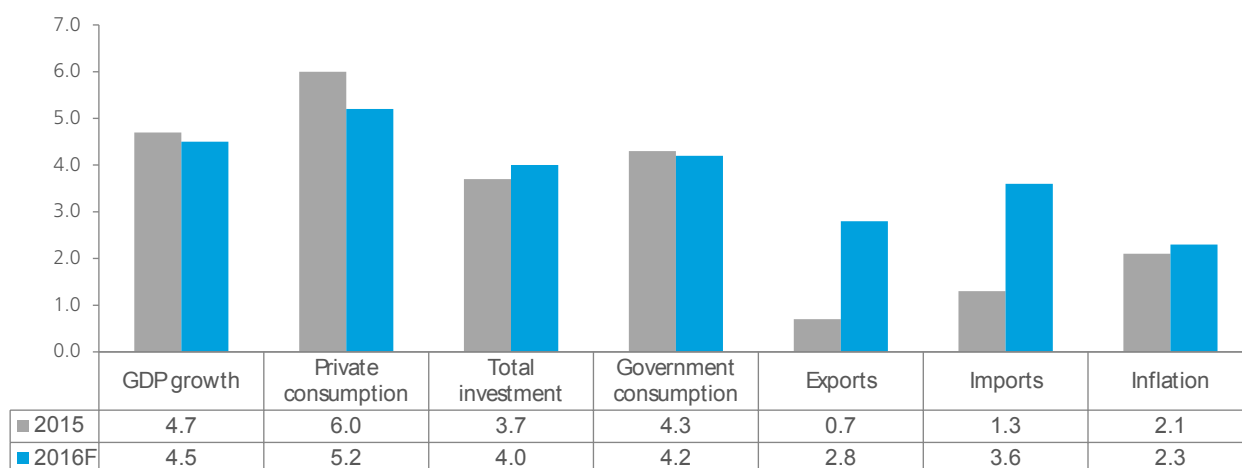
Malaysian economic slowdown is forecasted to continue in 2016, and in turn, growth momentum is likely to pick up in 2017 due to gradual recovery of global commodity prices.



- Real GDP growth in 2016 is projected at 4.5% as a result of export slowdown, before it starts to recover in 2017.
- Malaysian exports remain subdued as the People's Republic of China, Malaysia's second biggest export market, and economic activities in major industrial economies are sluggish during 2016.
- Domestic demand is expected to be the key driver of growth, but dampened by softer labor and property markets, lower earnings from oil and gas export and other commodities, high household debt, slower growth in credit, and fiscal tightening.
- Public investment projects under the Eleventh Malaysia Plan investment such as mass rapid transit, light railway systems, and so on, will boost growth in fixed investment.

## Malaysian economy is forecasted to grow 4.5% in 2016

Real expenditure on GDP (% change)



Sources: ADB, EIU, & IMF.

# Myanmar

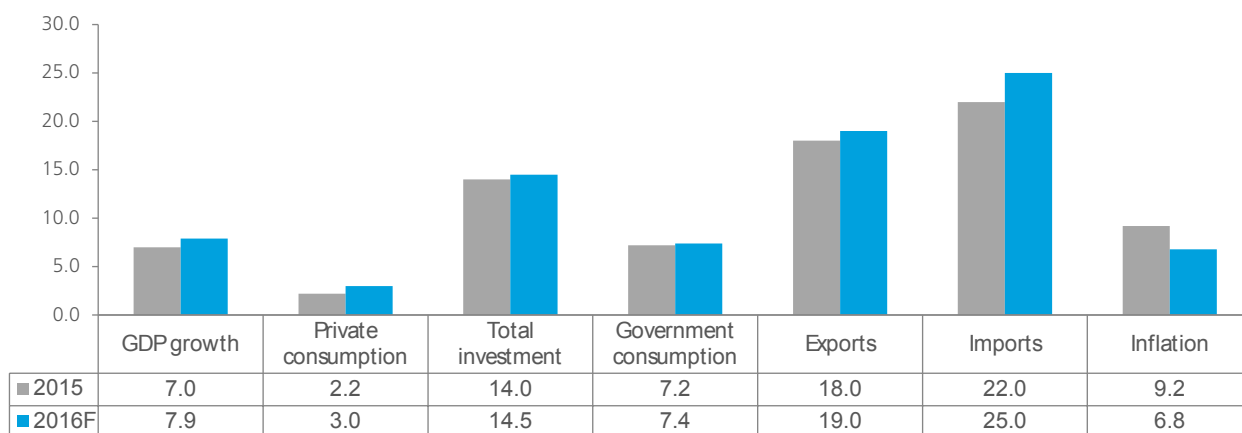
Myanmar's economic growth is likely to accelerate during 2016 as a result of better political conditions, recovery in agriculture, and increases in foreign direct investment.



- The new civilian government starting its office in April 2016 have committed to continuing reform, which is necessary for Myanmar to reach its growth potential, estimated at 8.0% annually.
- Rapid real GDP growth in the coming years will be buttressed by large FDI projects in various industries, particularly oil and gas and public infrastructure. FDI will continue to rise as regulatory and legal reforms are introduced.
- Recent bills passed have paved the way for the development of a burgeoning financial sector and for foreigners to own real estate to thrive.
- Among key challenges facing the incoming civilian government are high inflation, fiscal and external trade deficit. Also, upgrading the transport and logistics system is the major longer-term challenge.

## Myanmar economy forecasted to grow 7.9% in 2016

Real expenditure on GDP (% change)



Sources: ADB, EIU, & IMF.

# Philippines

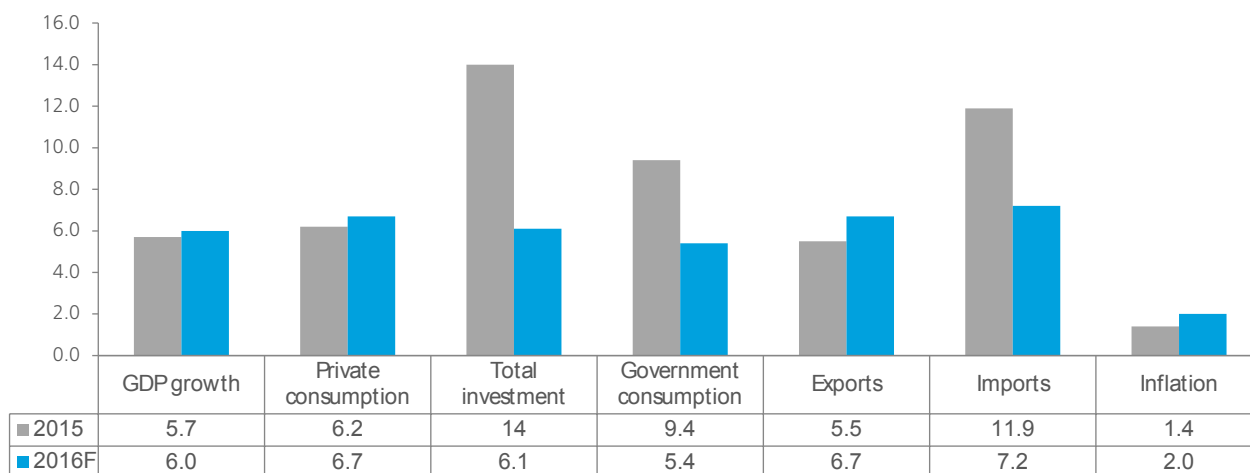
Real GDP growth in 2016 is projected to gain better momentum with higher investment and consumption despite facing El Niño impacts on agricultural outputs and utility prices. Inadequate public infrastructure, however, remains the major obstacle to growth in the future.



- Philippines's economy is expected to grow 6.0% in 2016. Private consumption remains the major growth driver.
- Rising employment, higher government salaries, modest inflation, and healthy remittance inflows taken together underpin robust consumer spending.
- In 2016, the government has kept expansionary fiscal policy or budget deficit ceiling at 2.0% of GDP and public investment accounts for 5.0% of GDP. Major infrastructure projects include investments in roads, agricultural infrastructure, and schools.
- To sustain strong growth momentum, Philippines's government requires policy continuity to foster the development of infrastructure and human capital, investment climate improvements, and better governance.

## Philippine economy forecasted to grow 6.0% in 2016

Real expenditure on GDP (% change)



Sources: ADB, EIU, & IMF.

# Singapore

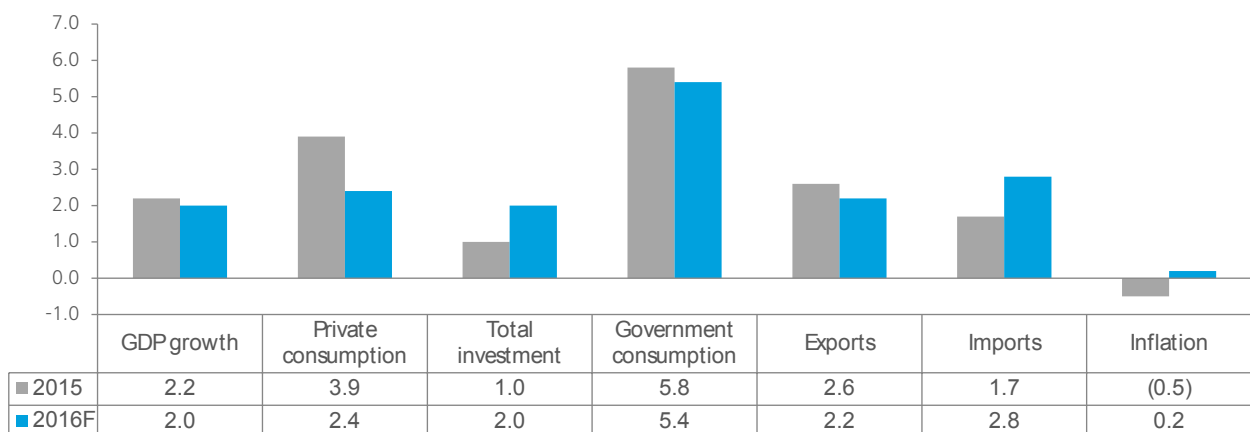
Singapore will continue a moderate growth in 2016 as a result of weak global and domestic demands. Accommodative fiscal and monetary policies have been implemented to foster economic growth momentum in the coming years.



- Real GDP growth is forecasted at 2.0% dropped from 2015s' although expansion in services outweighs weakness in manufacturing and construction, which be affected by low external demand and higher borrowing costs.
- Consumption will continue to grow in 2016 as the government boosts spending on social welfare, health infrastructure, public transport, and the development of the Changi Airport and a planned high-speed rail link with Malaysia.
- Singapore's downside risks include the tepid global economic outlook, uncertain domestic property prices and tightening of the labour market.
- Lower commodity prices and a slowdown of the People's Republic of China economy could result in moderate export growth in 2016.

## Singapore economy forecasted to grow 2.0% in 2016

Real expenditure on GDP (% change)



Sources: ADB, EIU, & IMF.

# Viet Nam

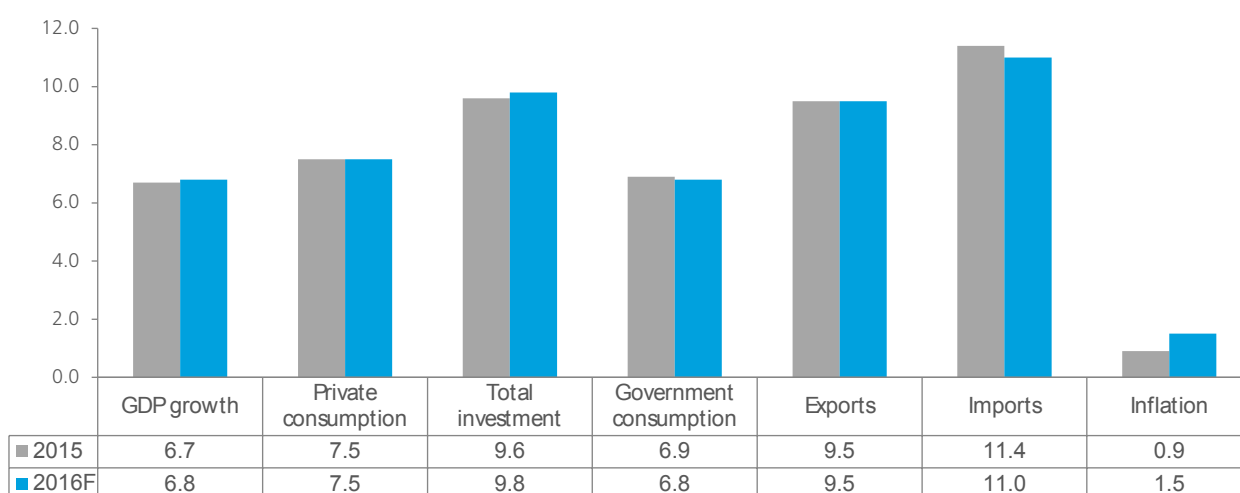
Continuous expansion of manufacturing and construction will boost real GDP growth in 2016. Foreign direct investment in conjunction with low inflation also accommodate investment and consumption.



- The Vietnamese economy is projected to grow 6.8% in 2016 and maintain average 6.6% during 2017-2020 due to strong export-orientated manufacturing and FDI inflows.
- Investment growth will be largely driven by trade agreements with the European Union and Republic of Korea, and commitments to participate in both the Trans-Pacific Partnership and the Eurasian Economic Union.
- Vietnam remains a major beneficiary of both the migration of low-cost export manufacturing from China and a firming of demand in developed markets.
- Slow progress on bank and state-owned enterprise reforms imposes downside risks to the growth outlook. Undercapitalized banks with deficient financial transparency remain exposed to shocks.

## Vietnamese economy forecasted to grow 6.8% in 2016

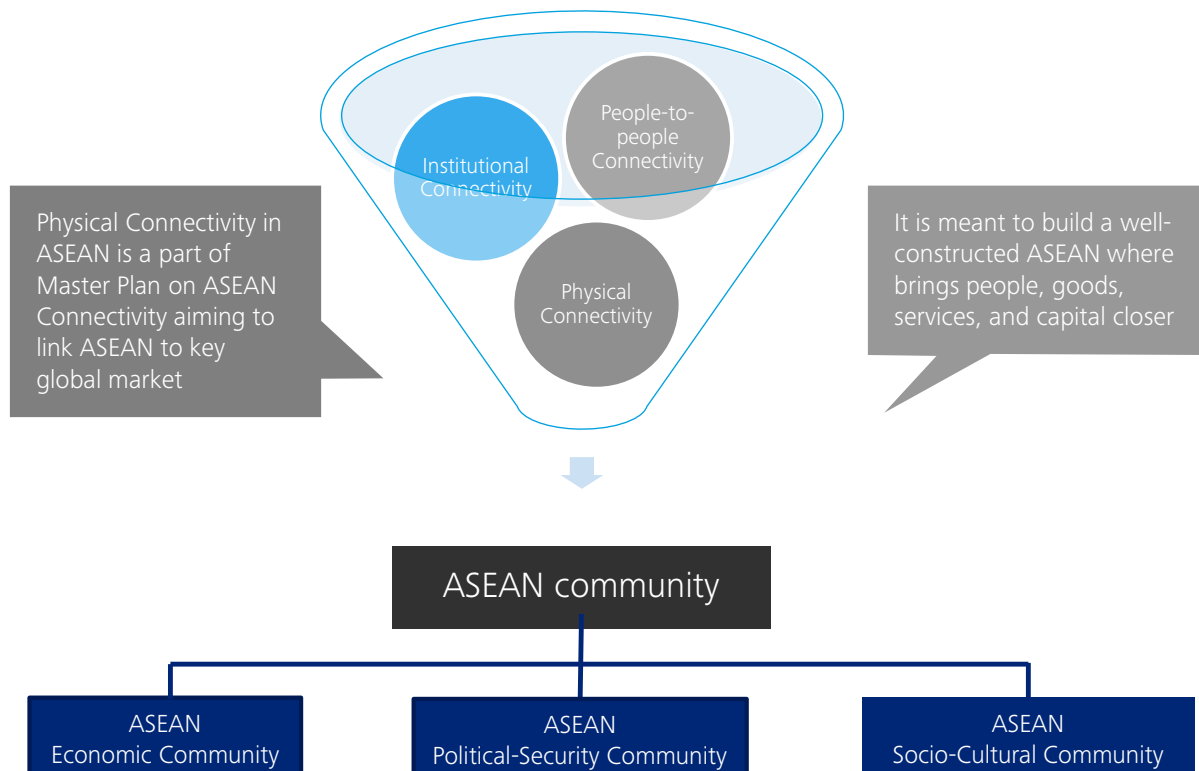
Real expenditure on GDP (% change)



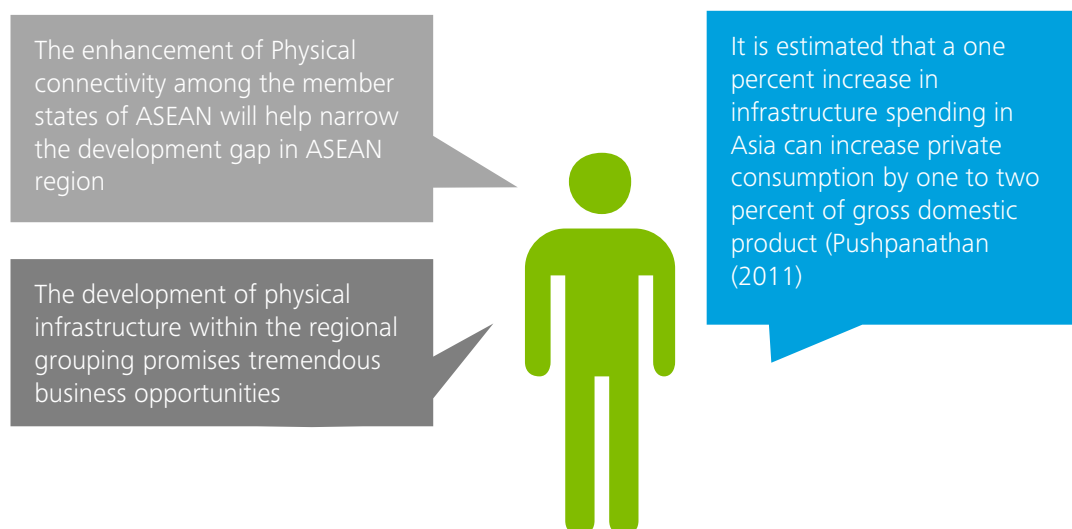
Sources: ADB, EIU, & IMF.

# ASEAN Physical Connectivity

## What is Physical Connectivity?



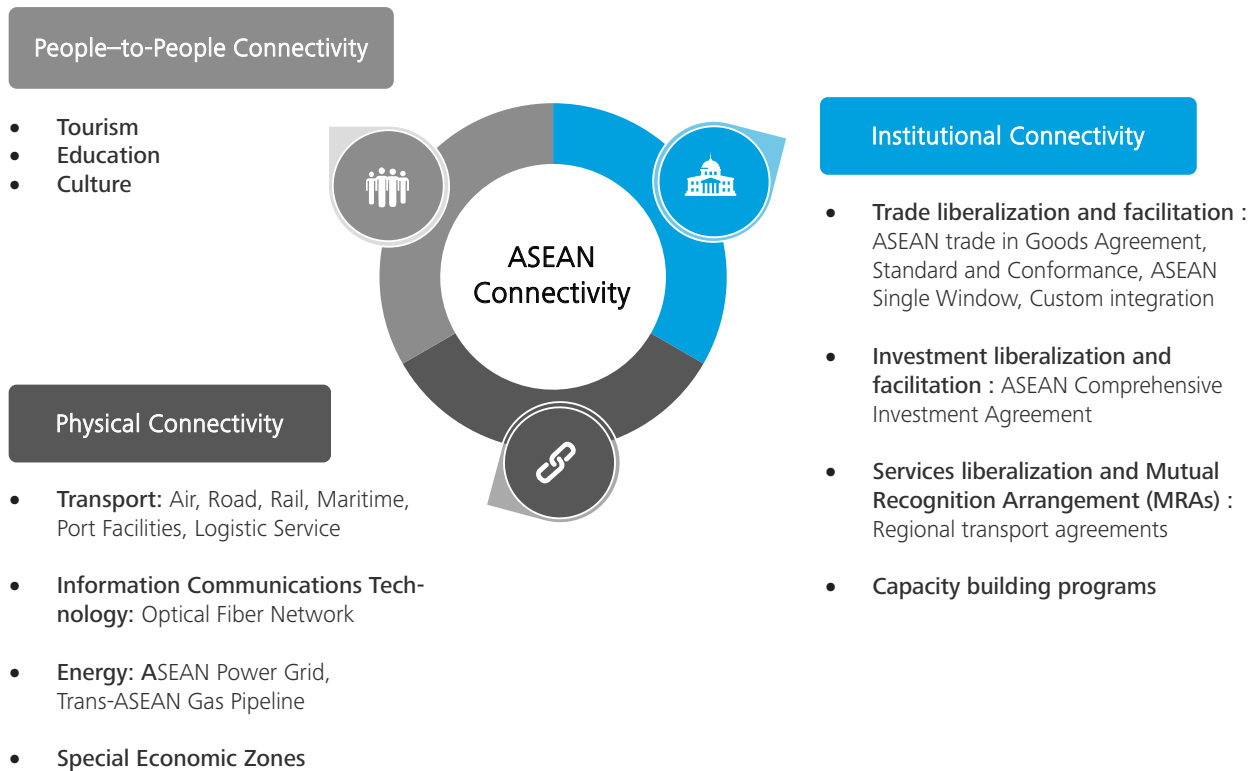
## Why is it important?



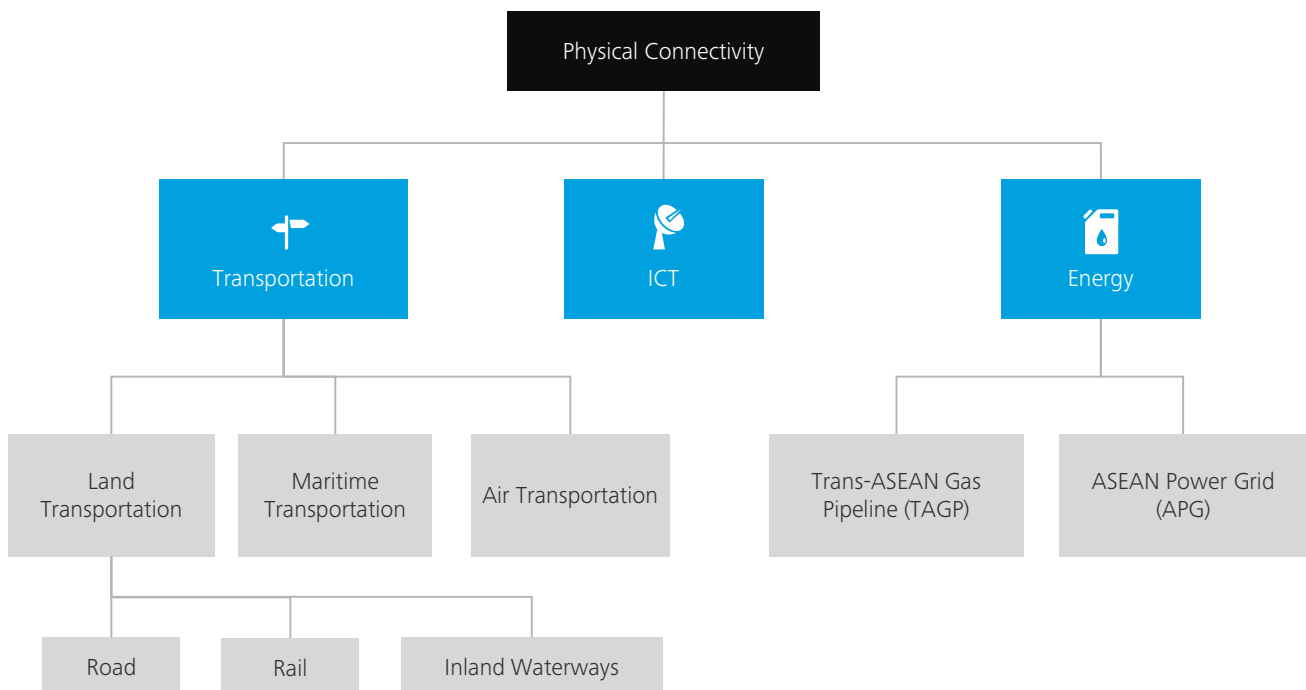
Sources: Master plan on ASEAN Connectivity, ASEAN Secretariat  
Connectivity Key to sustainable ASEAN Community, S. Pushpanathan (2011)



Connectivity in ASEAN refers to the physical, institutional and people-to-people linkages



Physical connectivity encompasses transport, information communications technology (ICT) and energy infrastructure as well as the regulatory framework and the software necessary to deliver associated services and utilities (Master Plan on ASEAN Connectivity)



Sources: Master plan on ASEAN Connectivity, ASEAN Secretariat

## Transportation

### Land Transportation

It aims to link all ASEAN member states and neighboring countries with an efficient, safe and integrated regional land transportation network. There are two flagship projects which have been developed to pursue land transportation connectivity in ASEAN.

#### Road Infrastructure : ASEAN Highway Network (AHN)

ASEAN Highway Network (AHN) is an extension of the Trans-Asian Highway network within the ASEAN region. It is a key flagship in ASEAN road transport connectivity.



- With a length of 38,400 kilometers through all ten ASEAN countries, and 23 designated routes, the AHN plays a crucial role in facilitating the movement of goods among ASEAN member states.
- A significant progress in term of expanding the length and improving the quality of the AHN has been made by each ASEAN member states.
- Missing links remain and road quality has not been as good as expected. So far the missing links are mostly in Myanmar and the quality of roads is still below Class III standard in some ASEAN member states.

Source: ASEAN Logistics Network Map Study, JETRO 2008

#### Designated Transit Transportation Routes (TTRs) in ASEAN

Country	Total Length of TTRs (km)	Total Length of below Class III TTRs (km)
Brunei Darussalam	168	0
Cambodia	1,338	0
Indonesia	4,143	0
Lao PDR	2,170	391
Malaysia	2,242	0
Myanmar	3,018	1,467
Philippines	3,073	211.5
Singapore	-1/	-
Thailand	4,477	0
Viet Nam	577	0
Total	21,206	2,069.50

Source: Thailand Report "The Updated Status of the AHN Project"

Note: 1/ Designated TTRs for Singapore to be submitted at the time of deposit of Instrument of Ratification for Protocol 1 of the ASEAN Framework Agreement on the Facilitation of Goods in Transit.

Sources: Master plan on ASEAN Connectivity, ASEAN Secretariat



## Rail Infrastructure : The Singapore-Kunming Rail Link (SKRL)

SKRL is a flagship project consisting of main Singapore–Malaysia–Thailand–Cambodia–Viet Nam–China (Kunming) route, and spur (or branch) lines between Thailand and Myanmar and between Thailand and Lao PDR.



- A length of 6,617 kilometers rail development project to link ASEAN with China.
- Approximately 862 kilometers of missing link in Cambodia, Myanmar, Thailand, and Viet Nam.
- Feasibility study was already completed for a spur line from Vientiane (Lao PDR) to Thakhek (Lao PDR) to Vung Ang (Viet Nam) but the construction is pending now.
- The future interest is the extension to Surabaya, Indonesia where the possible nodes are in Malaysia and Singapore.

Sources: ASEAN (2015d), "Singapore – Kunming Rail Link".  
Ad-Hoc Expert Group Meeting for Cooperation on Facilitation of International Railway Transport,

## Inland Waterways

The ASEAN region has approximately 51,000 kilometers of navigable inland waterways which have been identified as a large potential in reducing freight transportation costs.

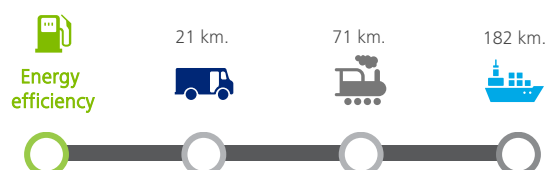
Country	Navigable Length (km)
Brunei Darussalam	N/A
Cambodia	1,750
Indonesia	20,456
Lao PDR	4,600
Malaysia	3,300
Myanmar	6,650
Philippines	1,033
Singapore	N/A
Thailand	1,750
Viet Nam	11,400

Source: UNESCAP 1998/2001,  
ASEAN Transport and Communications Sectoral Report, 1999

Source: 3rd World Water Forum – Water and Transport – MTS,  
US Dept. of Transportation

- The development of inland waterways, especially in Cambodia, Lao PDR, Myanmar, Thailand and Viet Nam will help improve the quality of life people in remote rural areas by increasing the accessibility of resource and services.
- Compared to road and rail transportation, river freight involves much lower costs, environment friendliness, and safety. However, undeveloped network, poor river port and lack of transportation promotion and facilities have limited the utilization of inland waterways transportation in ASEAN member states.

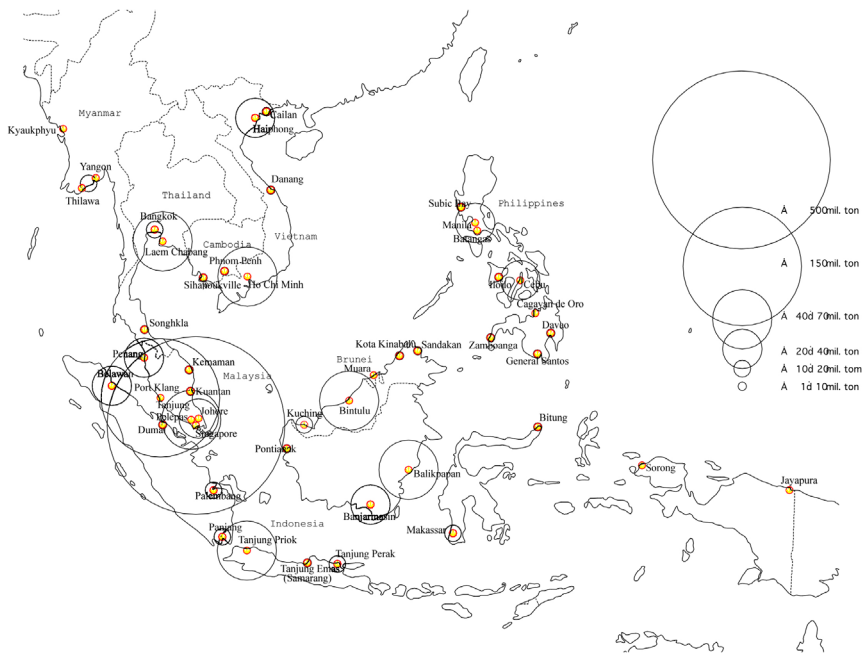
**Distance that 1 tonne of freight  
can be moved with 1 litre of fuel**



River freight also involves much lower external costs associated with noise and air pollution, infrastructure investment, congestion and accidents.

## Maritime Transportation

The maritime transportation plays a crucial role in trading. It is the fundamental mode of transportation for liquid cargo (petroleum and oil products) and bulk cargo (minerals) in ASEAN.



- 47 ports in ASEAN are designated to improve shipping across the region, Nevertheless, the varying levels of port infrastructure and maritime services pose a challenge on creating the efficient shipping network in ASEAN.
- It is expected that improvement of maritime network will reduce costs and encourage both Intra- and Extra-ASEAN trade.
- With the exception of Singapore and Malaysia, other ASEAN member states are ranked poorly (Source: UNCTAD Liner Shipping Connectivity Index).

Source: JICA Study on Guidelines for Assessing Port Development Priorities 2009

## Air Transportation

A rapid move of people, money, and information in global scale, the development of the liberalization of air transportation, an increasing Low Cost Carriers (LCCs) have stimulated the role of air transportation in ASEAN.

Country	Number of international Airports		International Passenger traffic (thousands)		Cargo Loaded (thousand ton)		Cargo Unloaded (thousand ton)		Aircraft Traffic (thousands)	
	2006	2011	2006	2011	2006	2011	2006	2011	2006	2011
Brunei Darussalam	1	1	1,409	2,017	14	17	8	11	23.9	27.8
Cambodia	2	3	2,340	3,481	8.6	9.7	14	1	30.7	37.4
Indonesia	27	29	2,964	8,152	77.9	72.2	109.7	162.2	27.8	61.8
Lao PDR	3	4	268	372	0.4	0.9	-	0.61	-	-
Malaysia	5	6	17,672	30,462	475	375	388	348	148	227.9
Myanmar	2	2	835	1,456	5.1	9.6	4.6	6.3	8	14.2
Philippines	8	9	10,261	12,969	177.7	156.9	126.2	133.6	57.7	72.4
Singapore	2	2	33,368	45,429	958	882	956	983	214	302
Thailand	6	6	31,895	39,979	681	714	442	560	204	253
Viet Nam	3	6	7,422	11,821	99.4	185.7	91.1	163	53.9	85.4

### Key Challenge

- Harmonization of air navigation systems and procedures
- Identification of new routes

- A number of international airports has increased / improved owing to rising air traffic volume in the region.
- Overall, the capital airports of ASEAN member states are ready to cope with air travel and air cargo. However, some problems regarding airport facilities and lack of warehouses could limit the growth in air traffic in some ASEAN countries.
- Currently, ASEAN member states focus on the implementation of ASEAN Single Aviation Market (ASAM).

Source: ASEAN Statistical Yearbook 2014, ASEAN Secretariats

## Information Communications Technology

An improvement of Information Communications Technology (ICT) infrastructure is inevitable for ASEAN member states to stimulate trade, investment, and market size by facilitating information exchange, reducing costs of business and transaction, and connecting people.

**ICT Use, Technological readiness, and Innovation in ASEAN, 2014 – 2015**

Country <sup>1/</sup>	ICT Use	Technological readiness	Innovation
Singapore	6.2	6.1	5.2
Thailand	3.0	3.9	3.3
Malaysia	2.7	4.2	4.7
Philippines	2.5	3.8	3.5
Viet Nam	2.3	3.1	3.1
Indonesia	2.1	3.6	3.9
Cambodia	1.5	3.0	2.8
Lao PDR	1.3	2.8	3.1
Myanmar	1.1	2.1	2.3
Brunei Darussalam	n/a	n/a	n/a

Sources: The Global Competitiveness Report 2014-2015, World Economic Forum

Note: 1/ Ranked according to ICT use, 1-7 (best)

- ICT infrastructure includes fixed, mobile, and satellite communication networks and the internet as well as the software supporting the development and operation of these communication networks (Master Plan on ASEAN Connectivity).
- Digital divide across ASEAN member states, lack of technological readiness, and insufficient innovation in some countries in ASEAN pose a formidable challenge to improve the competitiveness of their ICT sectors.
- With the exception of Singapore, the rest of ASEAN member states still need to nurture technological innovation, improve the accessibility, and encourage investment in ICT infrastructure and service to reduce the digital divide.

Source: ASEAN Logistics Network Map Study, JETRO 2008

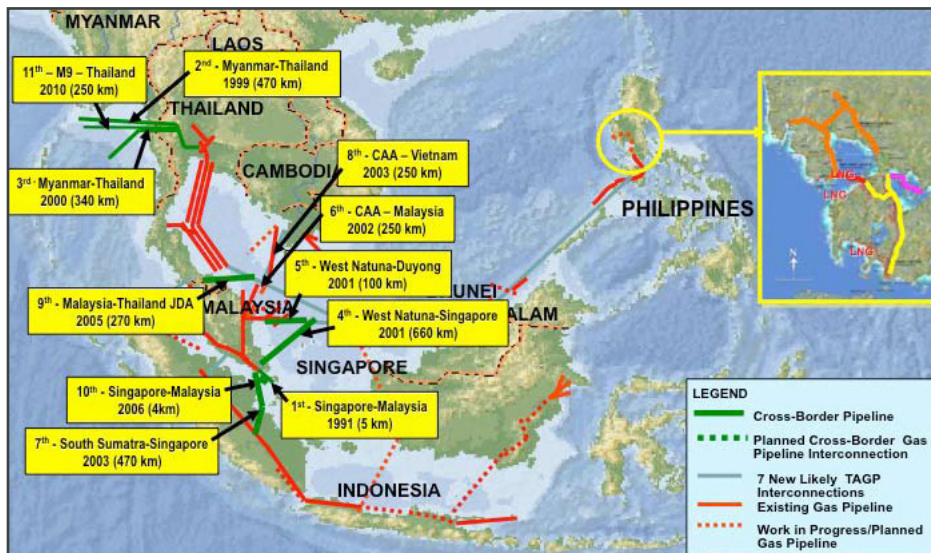


## Energy

Energy is one of the key factors contributing to the economic development. There are two flagship projects which have been developed to bring about the cooperation in energy between ASEAN member states in order to boost and sustain the economic growth in ASEAN region.

### The Trans-ASEAN Gas Pipeline (TAGP)

TAGP is a part of the development of a regional gas grid by 2020 which will provide the greater energy security and transport gas across ASEAN borders.

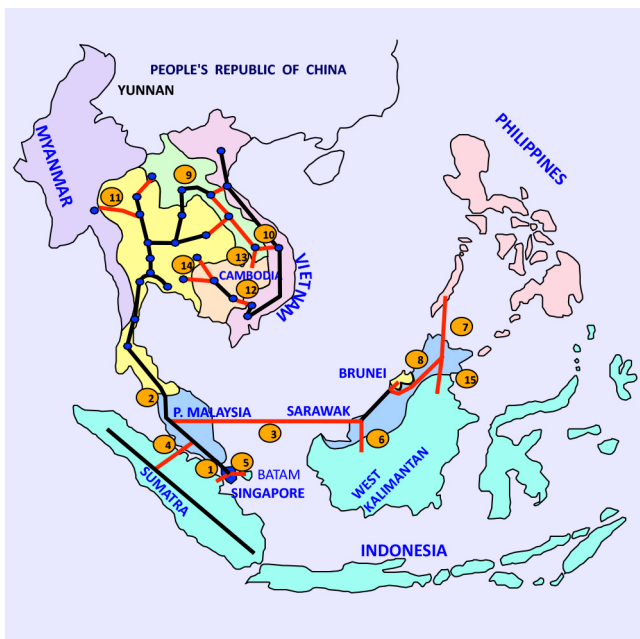


Source: ASCOPE Report to 28th Senior Officials Meeting on Energy, 2010

- The establishment of infrastructure for the transportation of liquefied natural gas (LNG) is also planned, as countries such as Malaysia, Singapore and Thailand undertake construction of LNG terminals.
- Inadequate supply of gas pipelines, rising costs of investment, and difference in management procedure of natural gas across the countries might be considered as the huge barrier to achieve the project.

### ASEAN Power Grid (APG)

APG is one of the flagship projects aiming to support ASEAN member states to cope with the increasing demand for electricity, to encourage electricity trade across borders, and to optimize the electricity generation and usage in ASEAN region.



Source: HAPUA Report to 28th Senior Officials Meeting on Energy, 2010

		Earliest COD
1.	P.Malasia - Singapore	Existing
2.	Thailand - P.Malaysia	Existing
	- Sadao - Bukit Keteri	Existing
	- Khong Ngae - Gurun	Existing
	- Kolok - Rantau Panjang	Newly Proposed
3.	Sarawak - P.Malaysia	2015/16
4.	P.Malaysia - Sumatra	2015
5.	Batam - Singapore	2015
6.	Sarawak - West Kalimantan	2013
7.	Philippines - Sabah	2020
8.	Sarawak - Sabah - Brunei	2020
	Sarawak - Sabah	2020
	Sabah Brunei	MOU Signed
	Sarawak - Brunei	2012
9.	Thailand - Lao PDR	
	- Roi Et - Nam Theun 2	2009
	- Udon - Nabong	2011
	- Mae Moh - Nan - Hong Sa	2015
10.	Lao PDR - Vietnam	2010
11.	Thailand - Myanmar	2016
12.	Vietnam - Cambodia	Existing
13.	Lao PDR - Cambodia	2011
14.	Thailand - Cambodia	Existing
15.	East Sabah - East Kalimantan	Newly Proposed

- Challenges for the APG achievement rely on the future interconnection projects since marine/undersea and inland cable interconnections still be required across the whole region.
- However, the economic viability of the planned grid interconnection projects are not accepted by some countries even if the projects have been assessed by HAPUA to be technically feasible.

# AEC Business Survey 2016: In Search of Growth Opportunities

## Introduction

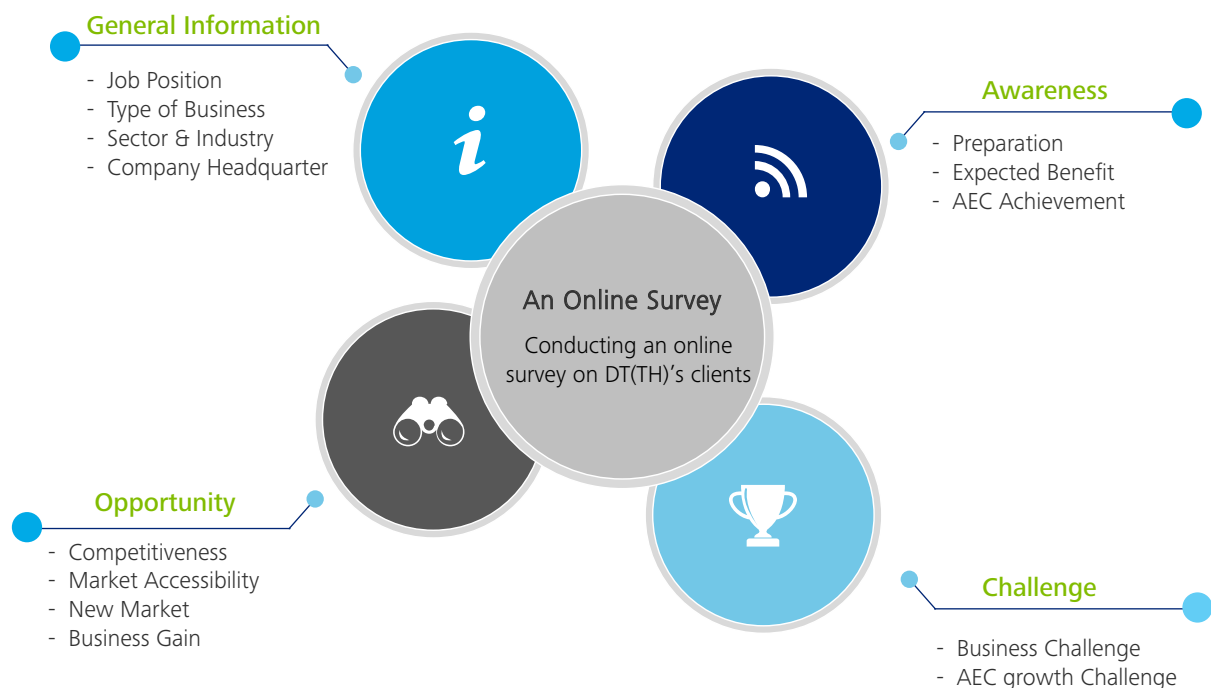
The emergence of Asian Economic Community (AEC) is seen as a window of opportunity and at the same time as a potential threat to our clients.

To understand the impact of the AEC on Client's business decision-making and practices, and to improve our services accordingly.

### Desired Outcomes of the survey

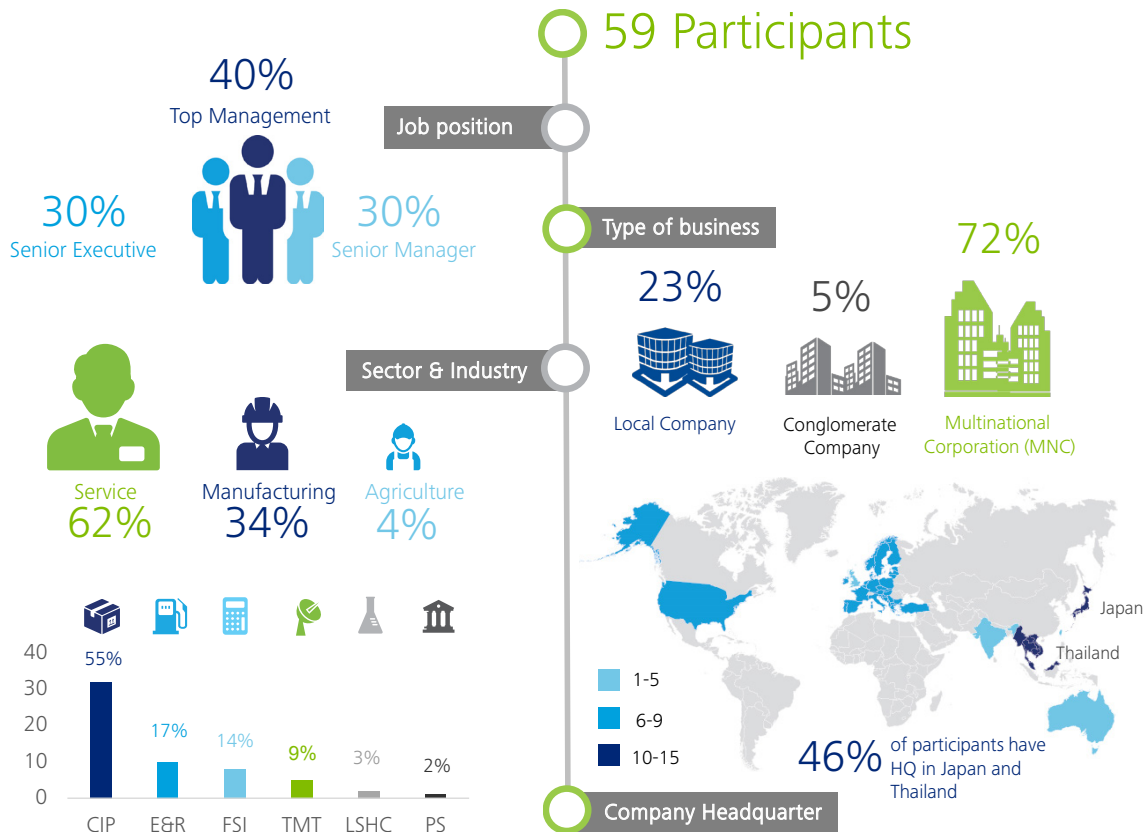


## Methodology

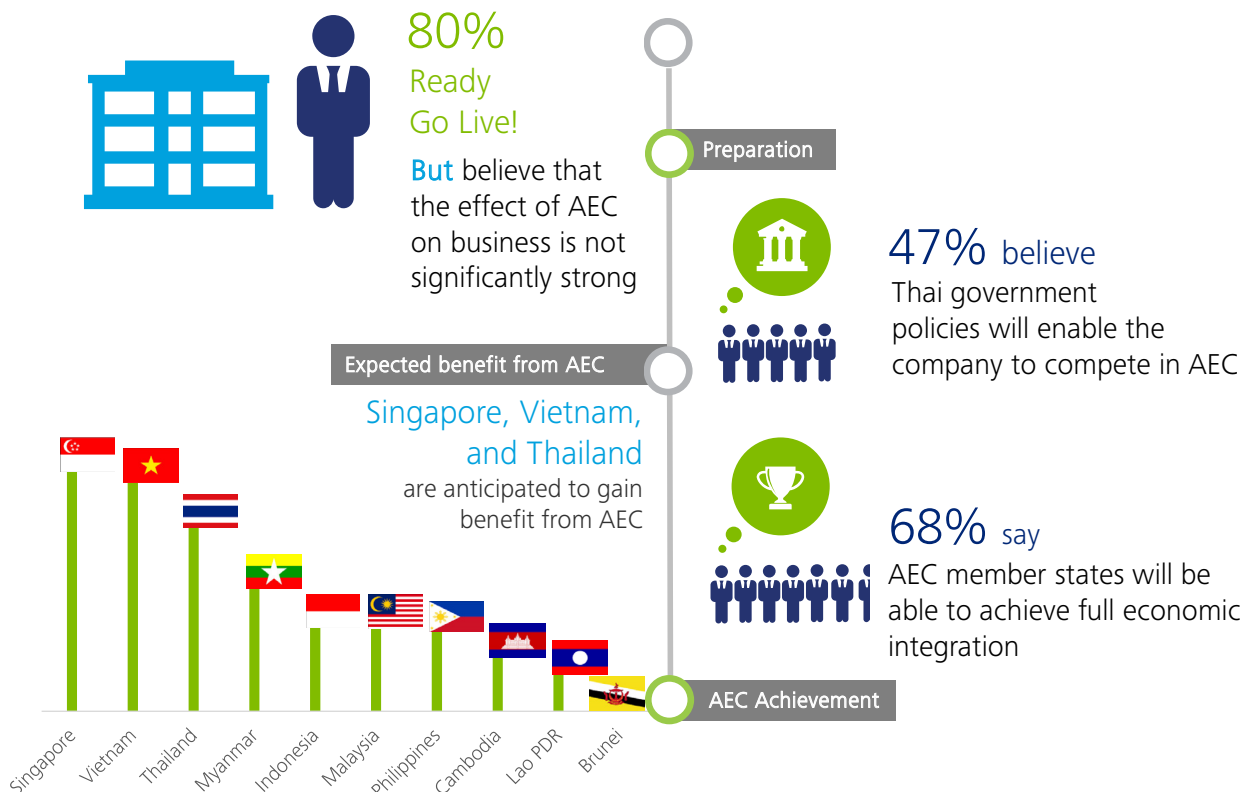




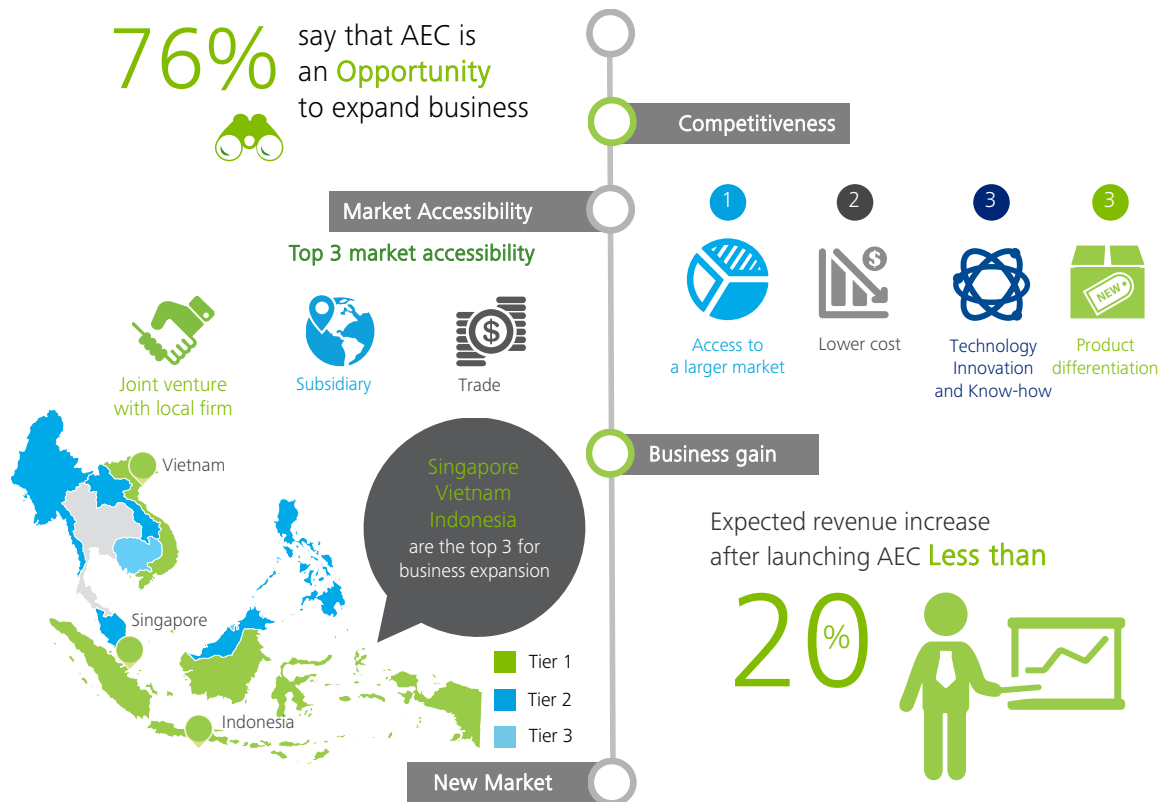
## General Information



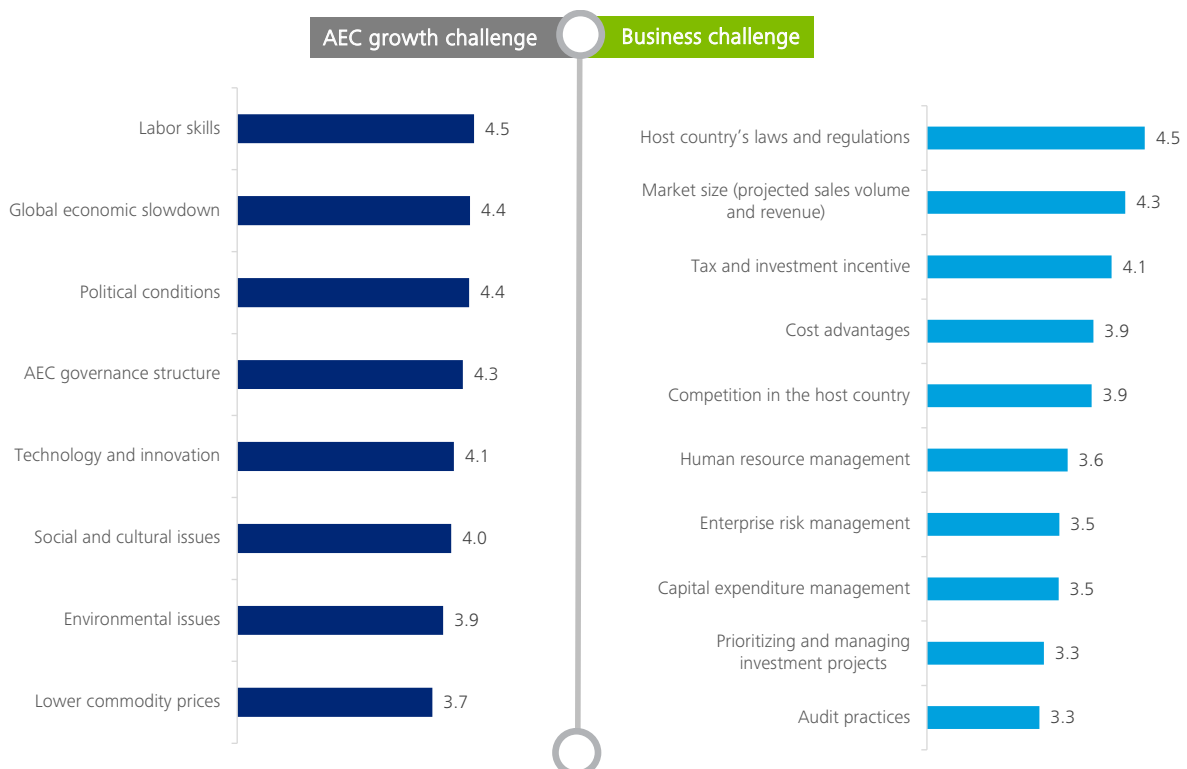
## Awareness of the AEC



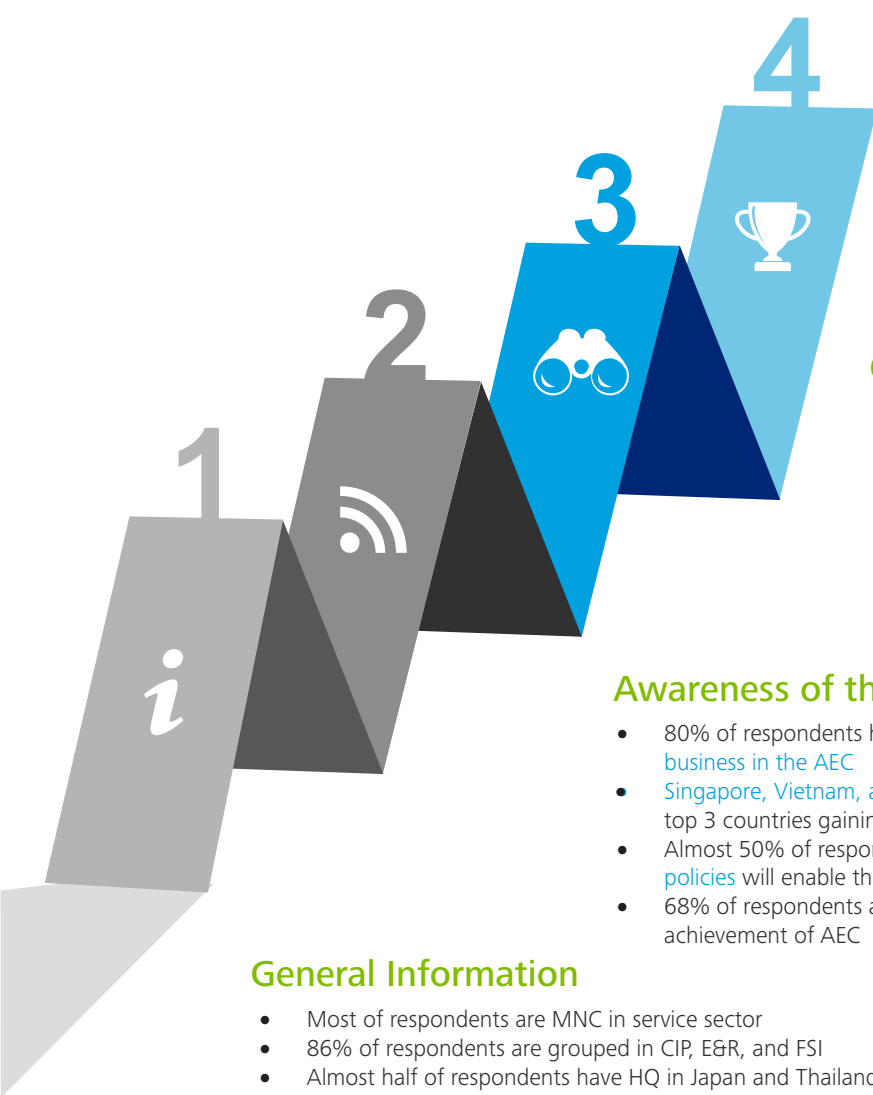
# Business Opportunities in the AEC



## Business Challenges in the AEC



## Summary



### Challenges

- Labor skills, Global economic slowdown, and Political condition are ranked as the top three challenges for the future of the AEC economic growth
- Top three most challenging factor for doing business in AEC are host's country laws and regulations, market size, and tax and investment incentive.

### Opportunities

- AEC is seen as a window of opportunity for expanding business; however, its impacts might not be strongly significant
- The top three locations for business expansion are Singapore, Vietnam and Indonesia
- Joint venture with local firm, Subsidiary, and trade are considered as the investment channels

### Awareness of the AEC

- 80% of respondents have already prepared for doing in business in the AEC
- Singapore, Vietnam, and Thailand are considered as the top 3 countries gaining benefits from AEC
- Almost 50% of respondents believe that government policies will enable them to compete in the AEC
- 68% of respondents are optimistic about the full achievement of AEC

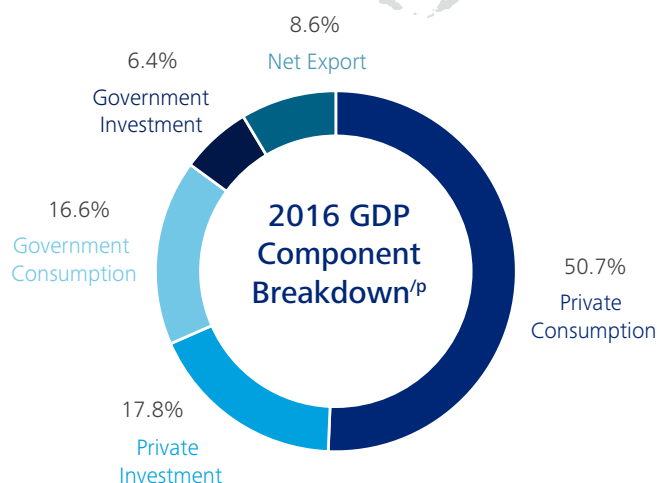
### General Information

- Most of respondents are MNC in service sector
- 86% of respondents are grouped in CIP, E&R, and FSI
- Almost half of respondents have HQ in Japan and Thailand

# Thailand Economic Review

# Thailand

Thai economic growth in 2016 will be underpinned by government consumption and investment as well as the progress of large-scale infrastructure projects. Tourism, another key driver, will help secure positive current account status.

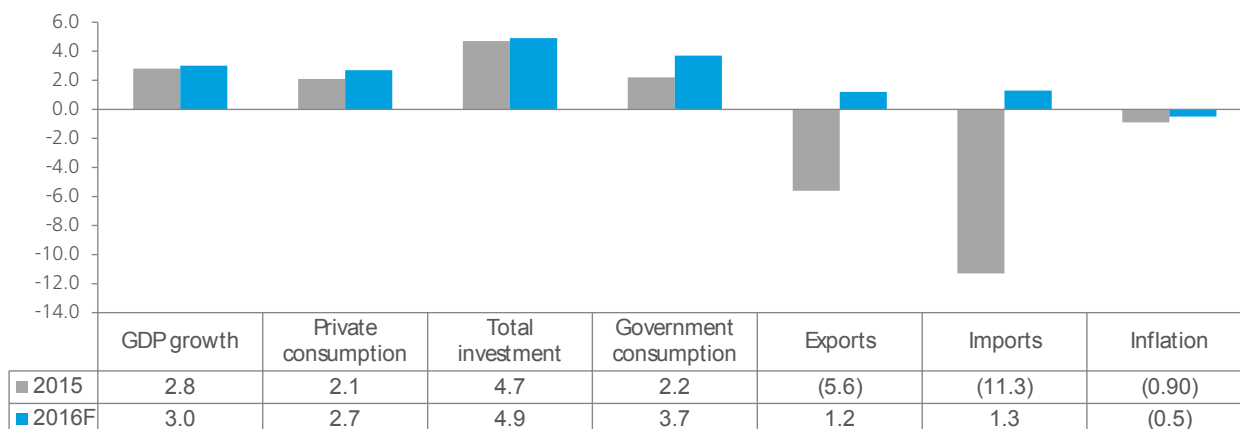


Sources: NESDB, K-Research, SCB EIC, & DTTJ Estimates  
<sup>/P</sup> preliminary data

- Real GDP growth is forecasted at 3.0% in 2016 and accelerate years after subject to the progress of public infrastructure investments and calm the political climate after the general elections proposed during the second half of 2017.
- Private consumption will continue to rise at a moderate pace in 2016 partly because of the government's stimulus measures. But private consumption remains limited by severe drought, low prices for agricultural products, and high household debt.
- Investment is expected to increase in 2016 under the government's Transport Infrastructure Master Plan from 2015 -2022. Implementation of 20 projects will be under way in 2016 onwards. These projects include motorways, railways, mass transit rail lines, sea ports, and airports.
- Good progress on the major investment projects will foster business confidence, and in turn, private investment. The Thai government allows private sector to participate in infrastructure projects through fast-tracked public-private partnerships (PPP) including mass rapid transit lines, motorways, a renewable energy power plant and so on.
- Tourism sector, which is expected to attract more than 32 million foreign tourists and generate around 2.3 trillion Baht, will help secure positive current account status during 2016.
- A major challenge facing Thai government is how to boost competitiveness of SMEs accounting for 99% of Thai businesses. Strong SME support policy and measures as well as better co-operations between public and private sectors could provide better opportunities for SMEs to thrive in the AEC context, but also be part of global value chains.

## Thai economy forecasted to grow 3.0% in 2016

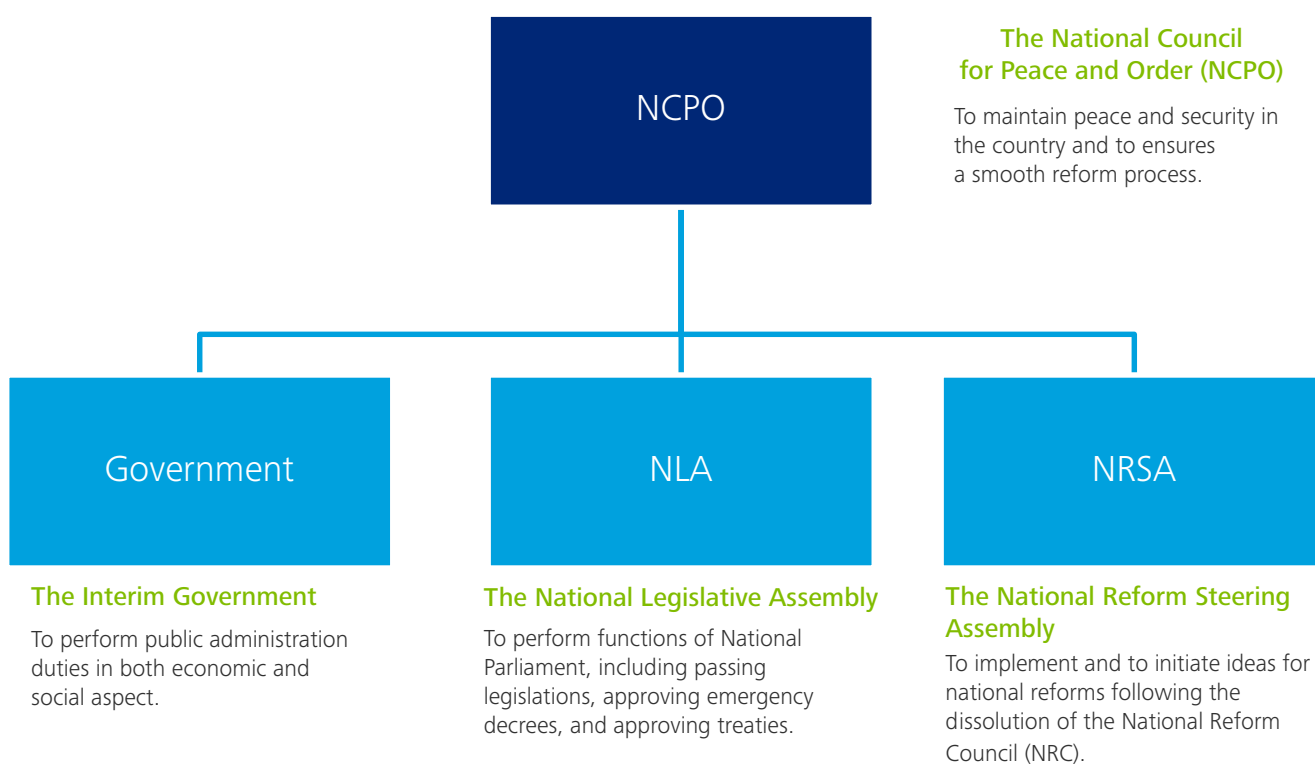
Real expenditure on GDP (% change)



Sources: ADB, EIU, NESDB, & IMF.

# Thailand Reform Review

# Thailand's Current Politics and Administration system

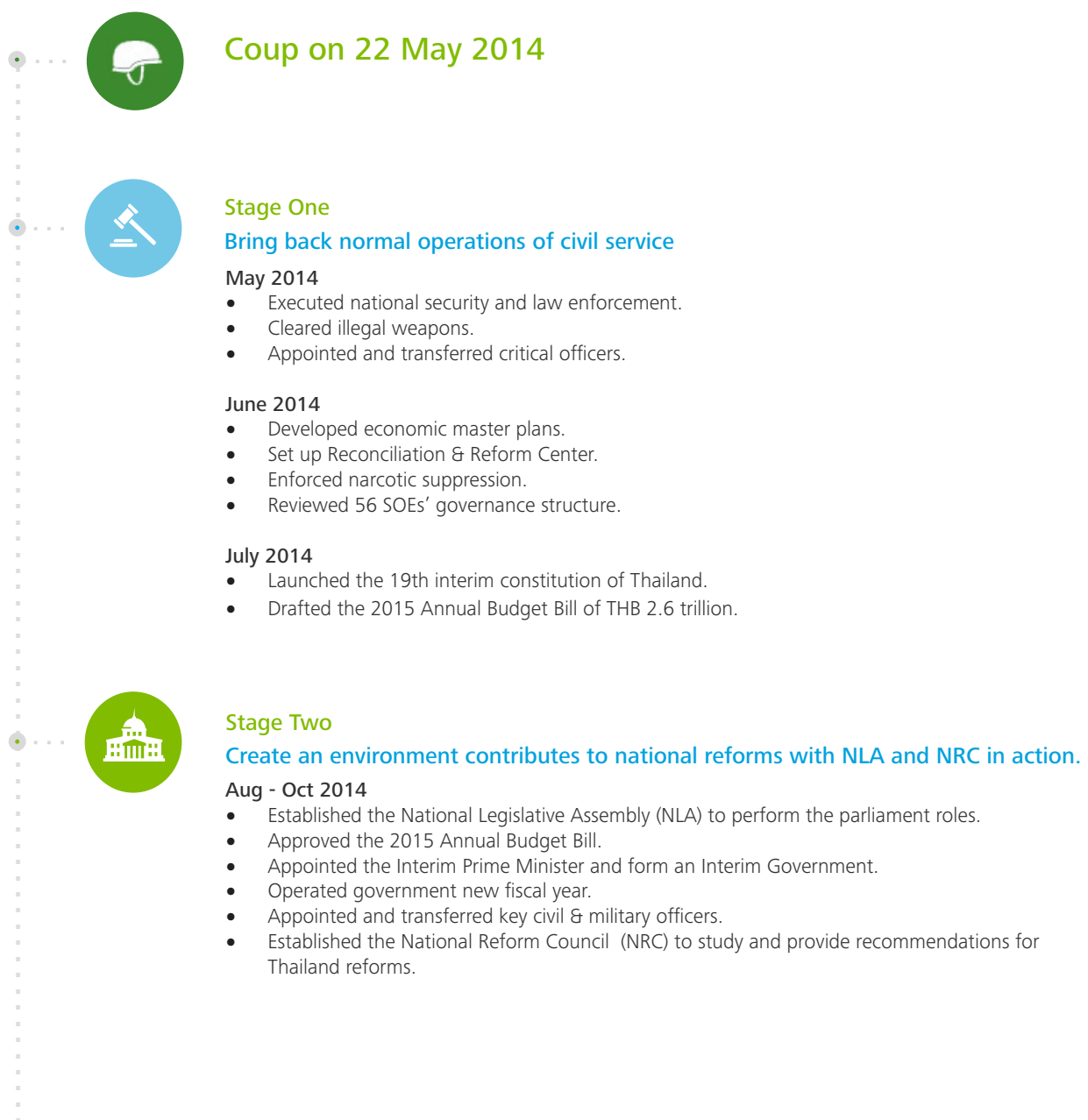


Note: *The National Reform Council (NRC)* is for undertaking a comprehensive reform of the country and drawing up recommendations for the Constitution Drafting Committee.

*The Constitution Drafting Committee (CDC)*, which consists of legal experts, academics, former senators, judges, civil servants, representatives from NGOs and the media, is nominated to ensure a truly democratic constitutional monarchy.

# NCPO's roadmap to reform Thailand in Stage 2

The National Council for Peace and Order (NCPO) proposed three stages of national administration during the transition period.



Sources: compiled from NCPO,  
the Royal Thai Government, & Thai Local Newspapers





### Stage Two - Continued

Create an environment contributes to national reforms with NLA and NRC in action.

Oct 2014 - Sep 2015

- NLA successfully impeached the former Prime Minister Yingluck Shinawatra over the rice-pledging scheme.
- NRC proposed reform frameworks and appoints Constitution Drafting Committee (CDC) to drafts the 20th Constitution of Thailand.
- NRC rejected the draft of the 20th Constitution of Thailand by 135 votes against 105 in favour with 7 abstentions, and in turn, was dissolved on September 6, 2015.
- NPCO proposed the 20-month period of the new political roadmap known as the *6-4-6-4 formula*, which leads to a new civil government in July 2017.

Create an environment contributes to national reforms with NLA and NRSA in action.

Oct 2015 – Feb 2017 (Approximately)

- Appointed a new 21-person Constitutional Drafting Committee to propose the new draft of 20th Constitution of Thailand within 180 days.
- Established the National Reform Steering Assembly (NRSA) consisting of 200 members to implement the national reform blueprint proposed by the dissolved NRC.
- *Conduct a nationwide referendum of the drafted 20th Constitution of Thailand (expected date August 7, 2016)*
- Launch the 20th Constitution of Thailand.
- Draft and deliberate the organic laws of the 20th Constitution of Thailand.



### Stage Three

An election will be held to restore full democracy.

Mar 2017 onwards (Approximately)

- Execute general elections – the Senate and the House of Representatives.
- Parliament in action.
- Form a new government.
- Continue Thailand's reform initiatives.

# The Interim Government to perform public administration

## The Interim Government established under Thailand's Interim Constitution 2014

The Interim Government consists of the Prime Minister (General Prayuth Chan-Ocha) and 34 other ministers appointed by the King to perform public administration.

### Government Priorities

- Accelerating Thai economic growth
- Agricultural reform
- Anti-human trafficking
- Energy and environment sustainability
- Social affairs
- Thailand and the world

### Highlights

- The Royal Decree B.E. 2558 (2015) on the Amendment of the Air Navigation Act B.E. 2497 (1954) and the Royal Decree B.E. 2558 (2015) on Thailand's Civil Aviation have been enacted to comply with the Standards of the International Civil Aviation Organization (ICAO). The Civil Aviation Authority of Thailand (CAAT) has been established with a particular purpose of regulating civil aviation.
- Several transportation infrastructure projects are on the ways to promote connectivity to make Thailand as a regional hub and in line with the ASEAN connectivity platform: for examples:
  - Three motorway projects – Pattaya – Map Ta Phut, Bang Pa-In – Nakhon Ratchasima, and Bang Yai – Kanchanaburi;
  - Air and sea transport – the rail freight centre at Laem Chabang seaport, U-Tapao Airport as the third commercial airport, the 2nd phase of Suvarnabhumi International Airport and;
- Establishing the Administrative Committee for ASEAN Community Preparation and the 5-year strategies and action plans to drive 3 pillars of the AEC.

Sources: The Royal Thai Government, Thailand Interim Constitution 2014, National New Bureau of Thailand & Thai local newspapers (The Nation & Bangkok Post)

# The National Legislative Assembly (NLA) to take the Parliament duties

## NLA established under Thailand's Interim Constitution 2014

NLA consists of 220 members appointed by the King in accordance with NCPO's recommendation.

### NLA's Key Duties

- Priority role is to act as the House of Representatives, the Senate, and the National Assembly during the transition period.
- NLA has the power to:
  - Issue the rule on election and perform duties of the NLA President, the NLA Vice-Presidents, and its Committees and meetings.
  - Introduction and deliberation of Bills and Organic Law Bills (i.e. Constitution Related Bills).
  - Monitor and control the Interim Government by making the submission of motions, discussion, making resolutions, and interpellation.
  - Peace keeping and other related matters for the performance of its duties.

### Highlights

- Accepted in principle the legislation on public referendum and formed a 21-member committee to review the legislation and to make adjustments if necessary within the next 20 days. The second and third sittings of the legislature was held on April 7, 2016. The referendum on the draft charter is expected to take place on August 7, 2016.
- Passed the new Mining Bill by 148 votes against one opposition. The Bill, in essence, empowers the state to manage mining operations for utmost benefits to the country and its people by taking into consideration economic and social development and environmental and health impacts.
- Reconsidered legislation on trying human trafficking cases to ensure that all of its language is accurate and complete.
- The NLA President expressed his support for the proposal, which suggests that Thailand's senators should be selected during the political transition. He added that, according to the theory, senators should be in office to work with the House of Representatives in such a way that keeps everything in balance while solving all related problems.

# The National Reform Steering Assembly (NRSA) to implement the national reform blueprints

## NRSA established under Thailand's Interim Constitution 2014

NRSA consists of 200 members appointed by the King in accordance with NCPO's recommendation.

### NRSA's Key Duties

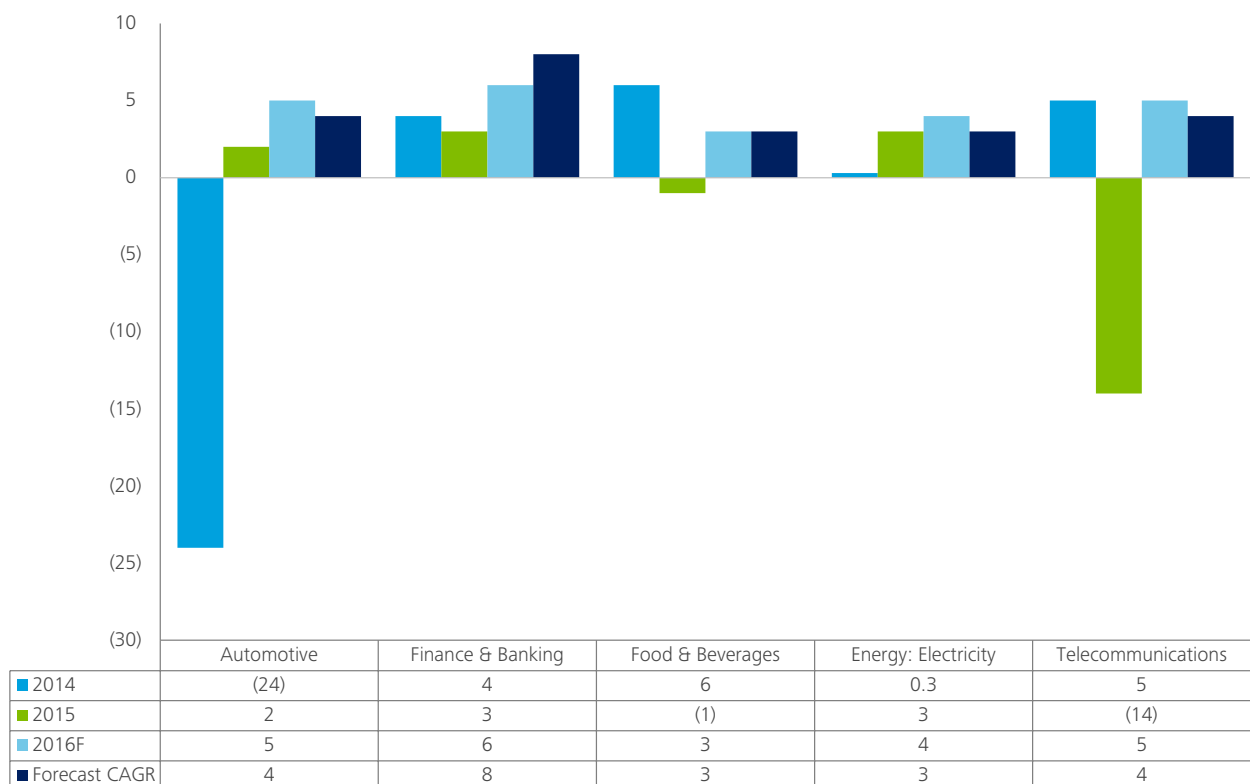
- Implement the national reform blueprints proposed by the dissolved National Reform Council (NRC).
- Give advices and recommendations to the Constitution Drafting Committee (CDC) for the purpose of Constitution drafting.

### Highlights

- Approved 12 reform agendas to be written into the new constitution and pursued within a one year time frame. All agendas received unanimous approval from 143 votes, and will be further submitted to the Cabinet for further action, as the reform process may require legal enactment which must be proposed to the NLA within one year.
- Approved a report from the economic committee, which recommend three major reforms including (1) reform of the structure of the third sector, (2) elevating the efficiency of a mechanism that will tackle all social problems and (3) developing the investment market to benefit society.
- CDC President addressed that the new constitution aims to solve country's problems and conflicts caused by four factors (i.e. injustice in society, sustained corruption, indiscipline and lack of law enforcement), but also stimulate the public participation in politics by creating a new election mechanism which clearly defines qualifications and prohibitions.

# Industry Sector Updates

Thailand key industries are expected to continue their moderate growth path in 2016.



Sources: Compiled from various research houses & agencies (e.g. IMF, ADB, EIU, NESDB, K-Research, SCB EIC, FTI) & DTTJ Analysis.

# Automotive

Thai automotive industry in 2016 is expected to grow 5% buttressed by export growth, while domestic market remains in a negative growth mode due to domestic unfavourable factors. Over the long-term, Thailand automotive industry is forecasted to have an upward moderate growth path.

## Situation in 2015

Thai automotive industry in 2015 benefited from export growth, while domestic market contracted since 2013. Total car production was 1.91 million units or grew by 2% compared to 2014s'. Car export reached 1.2 million units or increased 7% YoY. However, domestic sales during 2015 was 0.8 million units or 9% lower than 0.9 million units sold in 2014 due to the impact of economic slowdown, lower commodity prices, and high level of household debt.

## Outlook 2016

Car production is projected at 2.0 million units, growing 5% from 2015. Of which, 65% of production is for export and 35% for domestic sales. Domestic car sales is forecasted at 0.72 million units or contracts 10%YoY due to the slowdown of domestic demand, whilst car export is likely to maintain the growth rate at 7%YoY thanks to growing demands in major export markets.

## Long-term trend

As Thailand represents a regional strategic location for production along with the BOI's eco-car incentive scheme and mega-project investment to enhance Thailand's competitiveness, major car producers will continue to deploy their production and supply chain capacity to great effects.

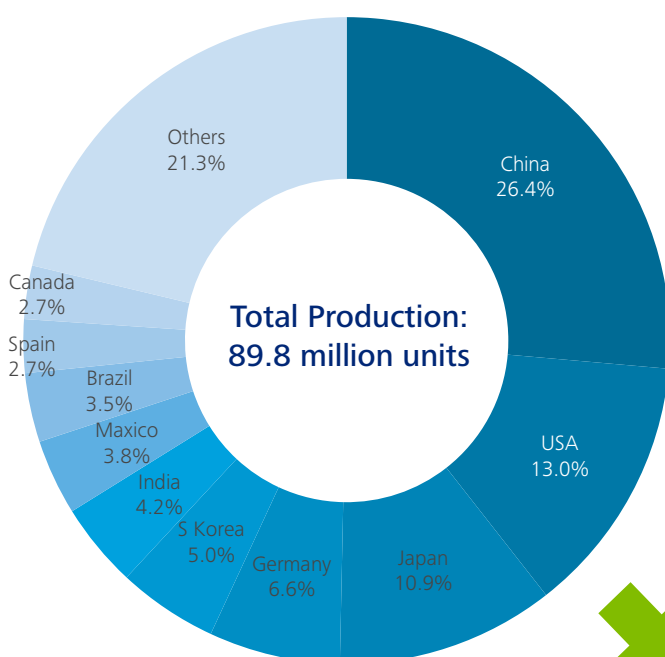
As analysts expect that overall global economy will gradually capture an upward growth trend in the coming years, Thailand's car industry is projected to grow 4% in years after.

Sources: BOI, EIU, OIE, Somboon Advance Technology (SAT), & Thailand Automotive Institute.

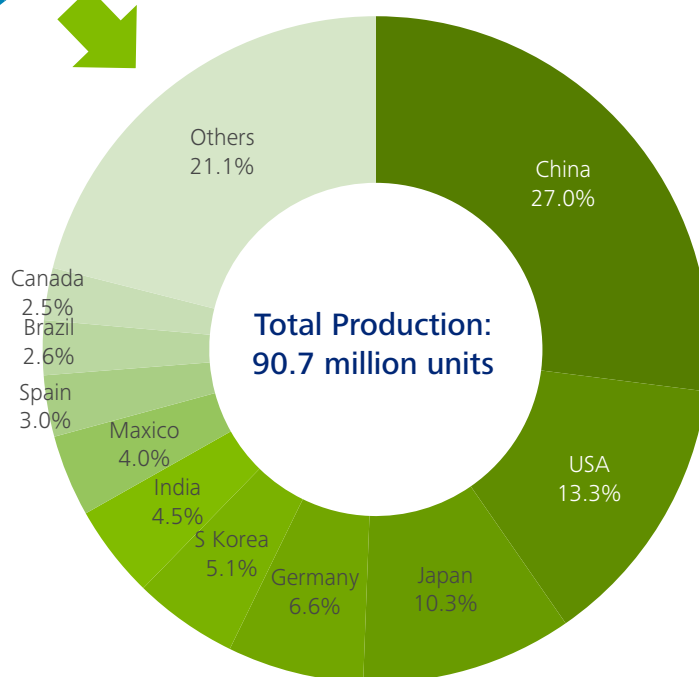


Overall, global car production in 2015 was 90.7 million units or grew 1%YoY. The slow growth of car production was largely affected by global economic slowdown.

**World car production by countries 2014**



**World car production by countries 2015**



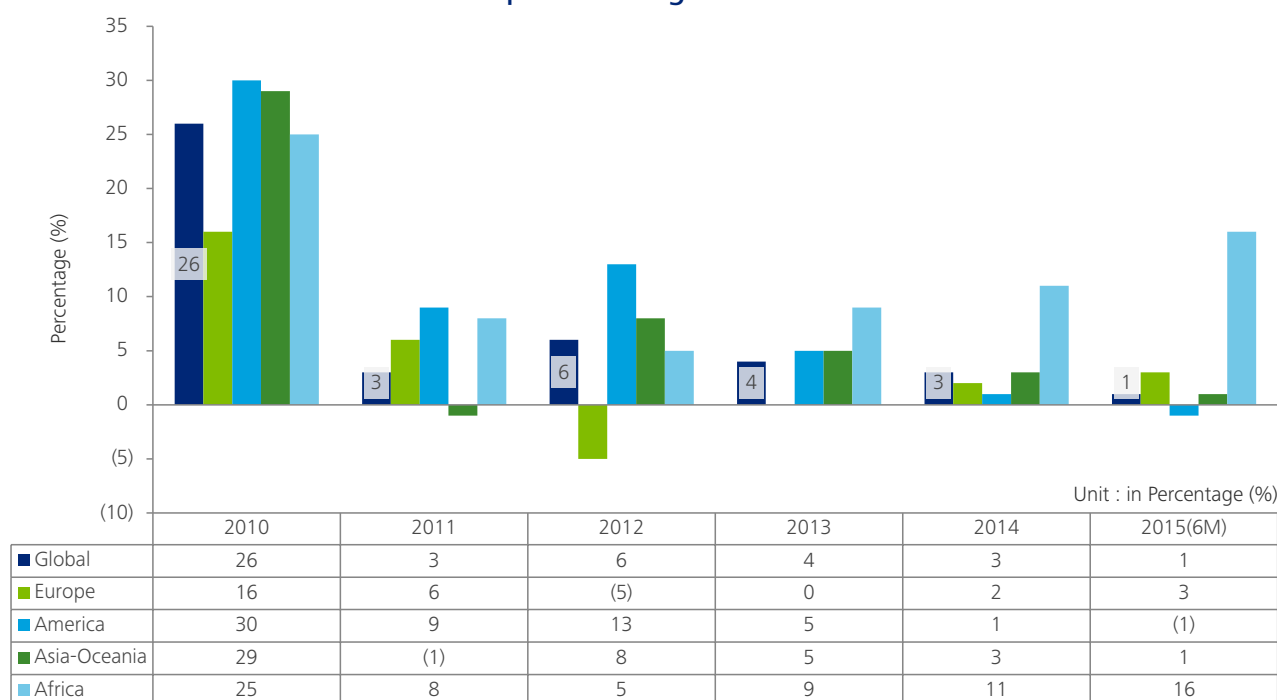
- Top five countries including China, Japan, USA, Germany, and South Korea produced 62% of global car output in 2015.
- From 2016-2019, analysts have forecasted that global car production is likely to gain CAGR at 6%.

Sources: EIU & OICA.



Overall, a diminishing growth of global car industry is expected in 2016 due to the slowdown of both advanced and developing economies as well as prolonged geo-political tensions.

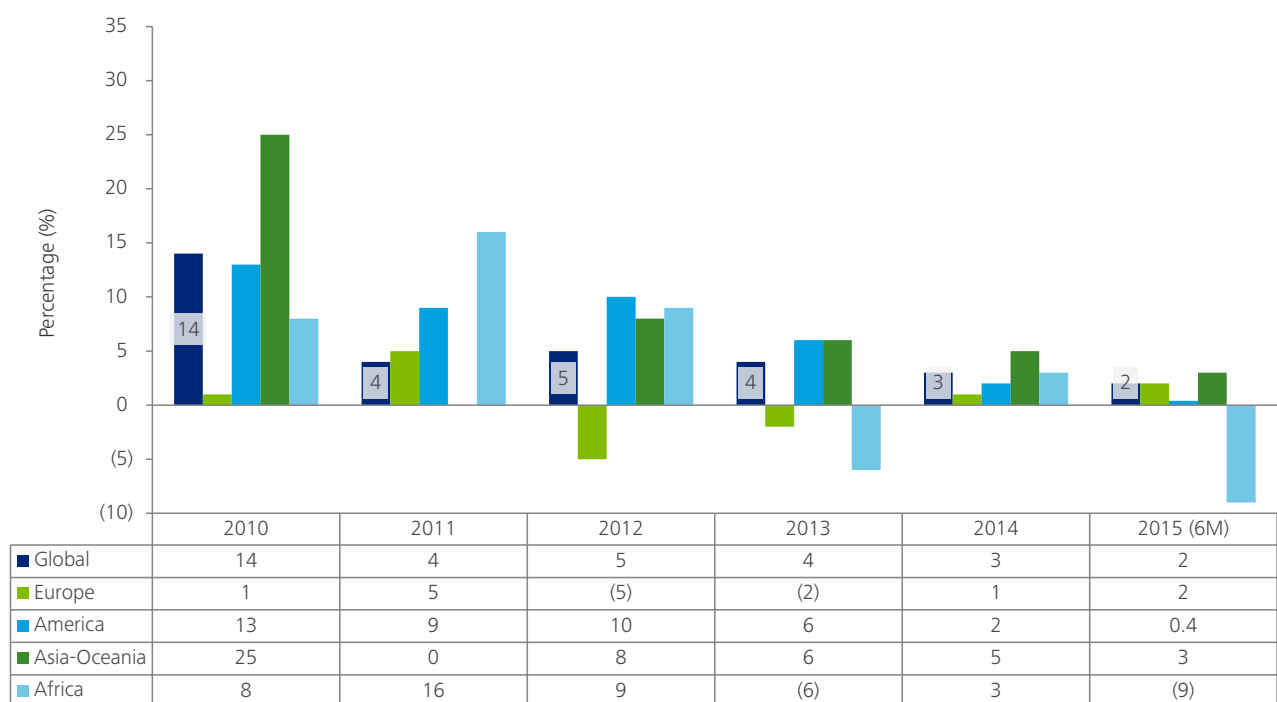
### World car production growth 2010-2015



Sources: EIU & OICA

- Global car production in 2015 was 90.7 million units growing 1.0%YoY. Africa gained the highest growth at 16%, while the growth of Asia-Oceania, Europe, and America were moderate at 1%, 3%, and -1% respectively.
- Global car sales in 2015 was 89.7 million units raising 2%YoY. Asia-Oceania gained the highest growth at 3%YoY, while the growth of Africa, America, and Europe were recorded at -9%, 0.4%, and 2% respectively.

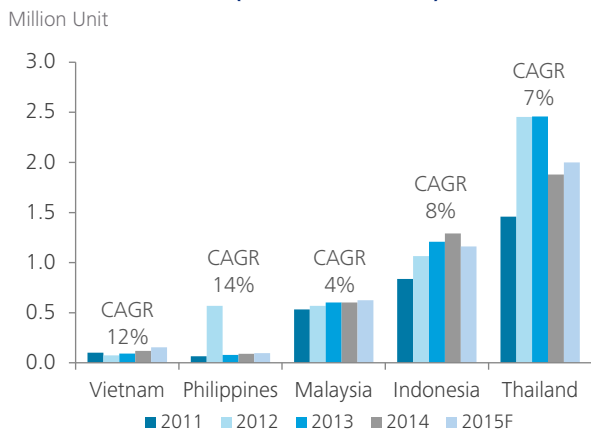
### World car sales growth 2010-2015



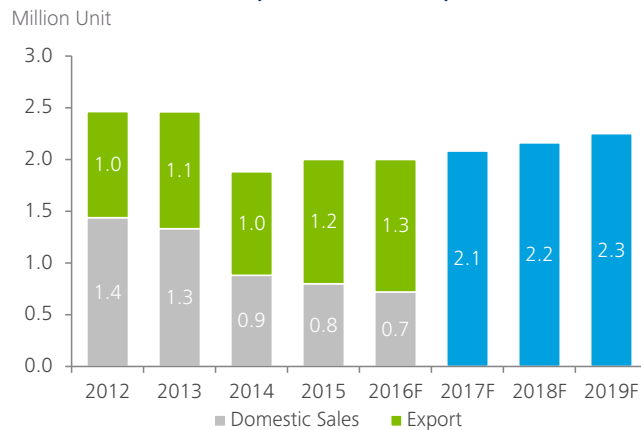
Sources: EIU & OICA

Thailand is expected to maintain ASEAN's automotive industry leader in the coming years buttressed by an established solid supply chain and a large pool of skilled labours.

**ASEAN car production volume  
(2011 – 2015F)**



**Thailand domestic car sale and export  
(2010 – 2017F)**



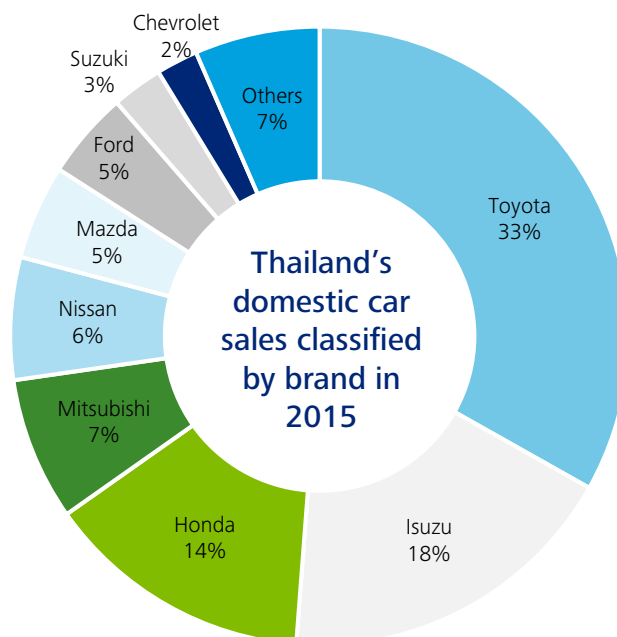
Sources: ASEAN Automotive Federation, FTI, OIE, OICA, & SAT

- For Thailand, the volume of car production in 2015 was revised to 1.9 million units or 49.1% of total ASEAN car production.
- Overall, ASEAN car industry in 2015 was contracted 2% compared to 2014s' partly due to the reduction of car demand in both the global and regional market.
- During 2016, Thailand is expected to produce 2.0 million cars growing 5% from 2015. Domestic sales was forecasted at 0.7 million units accounting for 35%, while export was projected at 65% or 1.3 million units.
- Despite the slowdown of both global and domestic car demands, automotive players in Thailand can outperform other regions as a result of an established solid supply chains and a large pool of skilled labours in Thailand.

Domestic car sales in 2015 contracted 9% compared to 2014s' due to several adverse domestic factors.

### Update Thailand Car Market 2015

- The total number of domestic cars sales during 2015 was 0.8 million units, decreasing 9% from 2014.
- Japanese car manufacturers have faced three consecutive difficult years in the Thailand car market. However, Honda, Mazda, and Suzuki achieved positive growth at 5%, 15%, and 5% respectively. Several car manufacturers attempted to capture emerging and untapped demands in ASEAN countries.
- Adverse domestic and external factors including high household debt level, low agricultural commodity prices, drought, slow public and private investment disbursement, and international trade contraction, affected Thai economy and consumers' purchasing power and, thus, caused a contraction of domestic car sales during 2015.



Sources: FTI & Toyota (Thailand) Co. Ltd.

# Finance & Banking

Finance & banking sector is forecasted to grow 6% in 2016 mainly driven by accommodative monetary policy and expansionary fiscal policy.

## Situation in 2015

As a result of domestic and global economic slowdown affected by various adverse factors (e.g. lower commodity prices, high level of household debt, geo-political conflicts), loan outstanding in the banking system finished at 13.2 trillion Baht, growing 3% from 2014.

## Outlook 2016

Overall, Thailand loan outstanding is forecasted at 14.0 trillion Baht or grow 6%YoY. NPL proportion is expected to reduce from 2.6% in 2015 to 2.5% in 2016 or increase 3%YoY due to strict credit granting criteria. The high level of household debt and lower commodity prices as well as severe drought caused by El Nino will affect consumer loan demands. Overall during 2016, loan demands are expected to stem from an accommodative monetary and public infrastructure investment.

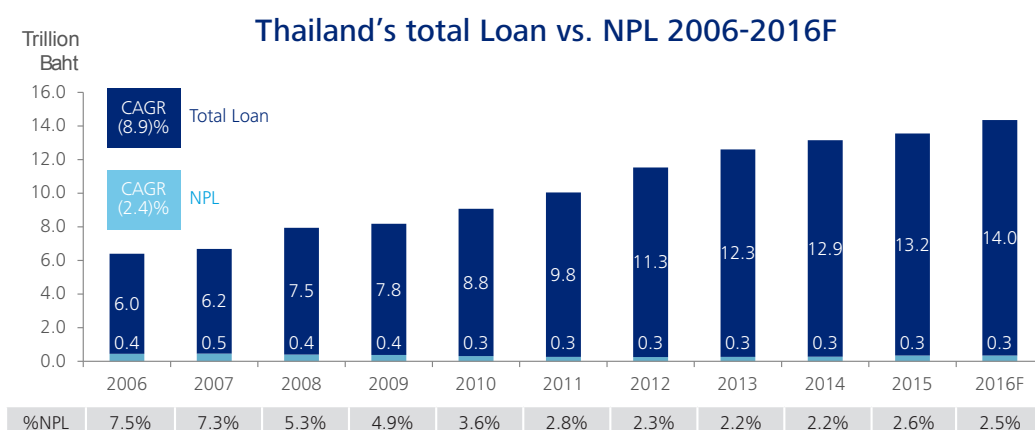
## Long-term trend

Financial institutions will be posting loan growth around 7-8%YoY over the next few years despite facing both external and domestic downside risks. In addition, Thai Government will continue to pursue both short-term and long-term economic stimulus schemes (e.g. SME incentives, transportation infrastructure investments), which will stimulate both Bangkok and upcountry economic expansion, boost loan demands across Thailand, and also, provoke capital markets to raise investment funds.

Sources: EIU, K-Research, & SCB EIC



Thailand's total loans in 2016 is forecasted to reach 13.0 trillion Baht, increasing 6% YoY.



Sources: BOT, EIU, SCB EIC, K-Research, & TMB Analytics

Note: (1) Total Loan includes both Thai banks' and foreign banks' loan outstanding as of the 4<sup>th</sup> quarter 2006-2015

(2) NPL include both Thai banks' and foreign banks' gross NPL outstanding as of the 4<sup>th</sup> quarter 2006-2015

The growth of Thailand's total loan outstanding is expected to accelerate from 3% in 2015 to 6% in 2016. Business loan growth for both corporate and SME segment will be driven largely by public infrastructure investment, which also stimulates private investment. Likewise, overall consumer loan segment will continue to its growth momentum around 6-7% thanks to consumption demands and marketing campaigns. NPL proportion in 2016 is forecasted to reduce to 2.5% compared to 2.6% in 2015 as a result of cautious credit approval and improved investment conditions. In addition, analysts have viewed that financial technology (FinTech) in several formats will significantly affect competition, regulatory framework and governance of banks and financial institutions in Thailand in the coming years

Thailand's total loan in 2016 is expected to grow 6% from 2015.

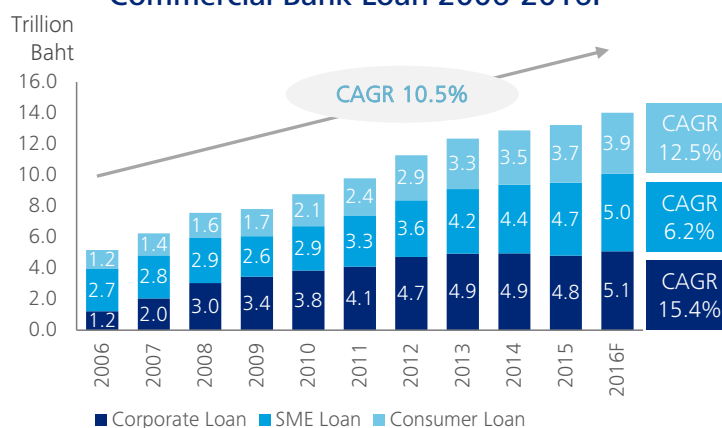
### Selected Financial Statistics

Number of	Total
Thai Commercial Bank	15
Foreign Bank Subsidiary & Branch	16
Specialized Financial Institution	8
Foreign Representative	47
Asset Management Company (AMC)	40
Credit Card Company	10
Personal Loan Company	34
Nano Finance Company	13
Credit Card	21.9 M
Debit Card	47.1 M
ATM Card	13.3 M
Personal Loan Account*	12.9 M
E-Money Card/Account*	31.1 M
Internet Banking Account*	12.0 M
Mobile Banking Account*	10.4 M

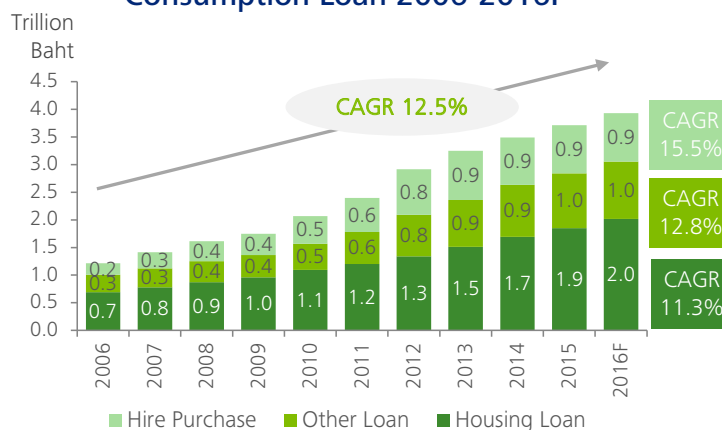
Sources: BOT (as of March 2016) & DTTJ Estimates

Note: \* Data have been revised by Bank of Thailand.

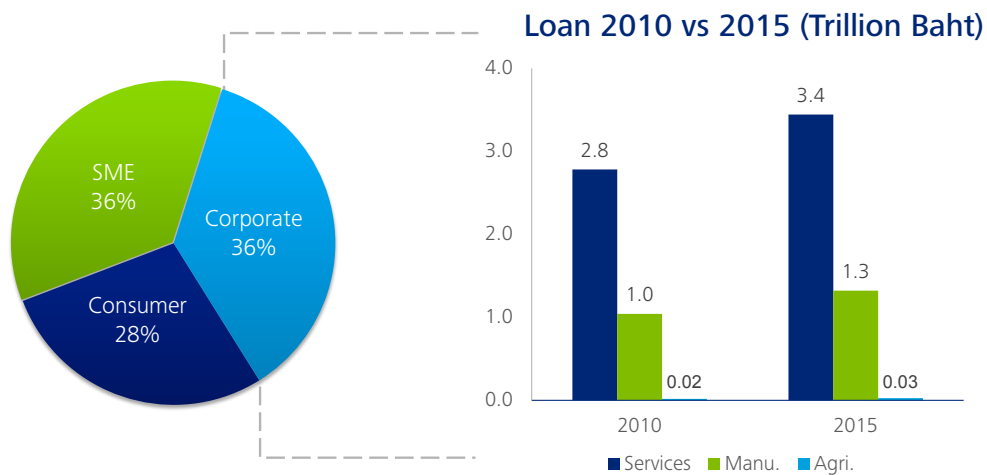
### Commercial Bank Loan 2006-2016F



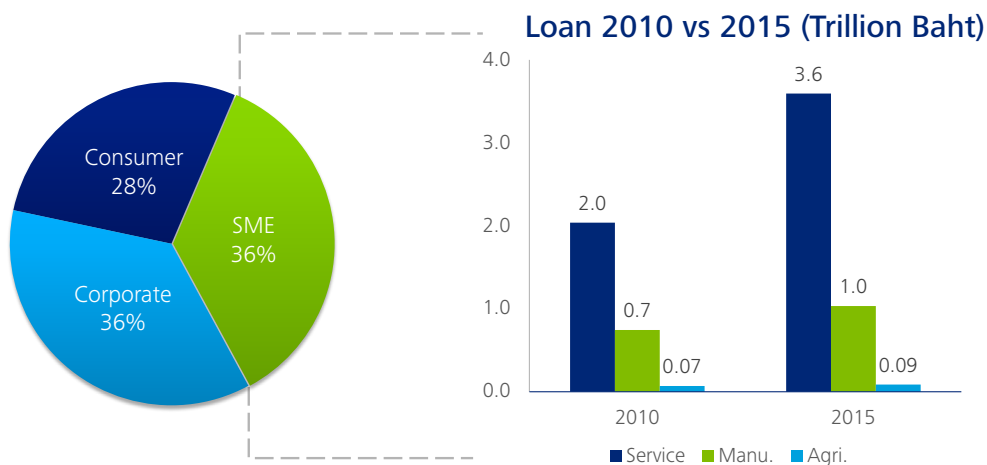
### Consumption Loan 2006-2016F



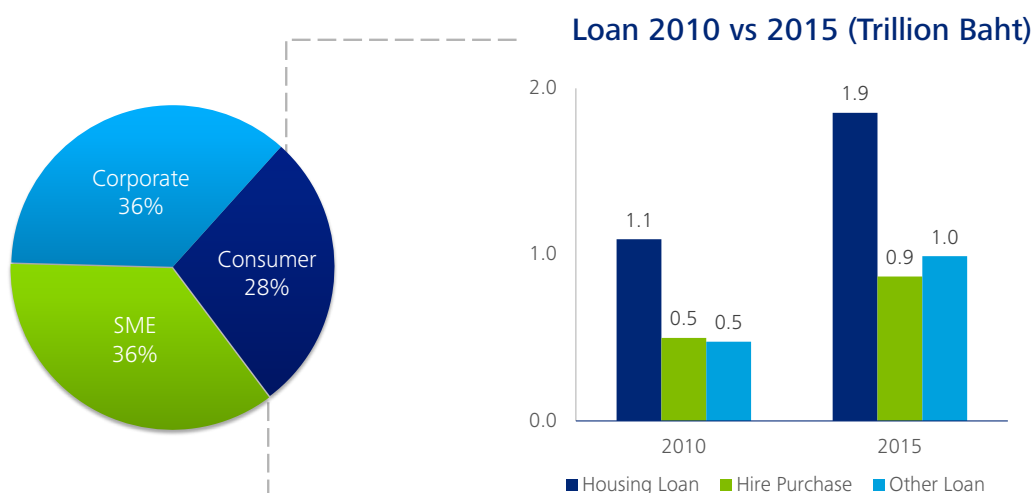
Corporate loan in 2015 was 4.8 trillion Baht or 36.2% of Thailand total loan.



SME loan in 2015 was 4.7 trillion Baht or 35.7% of Thailand total loan.



Consumer loan in 2015 was 3.7 trillion Baht or 28.1% of Thailand total loan.



Source: Bank of Thailand (as of September 2015)

# Food & Beverage

Food and beverage production during 2015 were contracted by 1.2% and 0.6% respectively. In 2016, both production and consumption is expected to rebound driven partly by the removal of trade barriers and higher demands for Thai foods in overseas markets.

## Situation in 2015

Food production volume was at 31.0 million tons dropped 1.2% from 2014, while export value grew 927.4 billion Baht or improved 1.5%YoY due to raising demand from key export markets. For key beverages, total production was contracted by 0.6%YoY mainly due to a slowdown of domestic demand.

## Outlook 2016

Food and beverage production growth are forecasted at 3% and 2%YoY respectively. Major growth drivers include higher public and private consumption as well as favourable trade conditions for Thai food and beverage products. However, lower purchasing power of Thailand's household sector as a result of lower commodity prices and severe drought to some extent affects the sales volume of food and beverage.

## Long-term trend

A positive outlook for food production and export is anticipated in the coming years as a result of demand recovery and the removal of trade barriers in the key export markets, especially the AEC market. In beverage segment, long-term growth momentum is expected for both alcohol and non-alcohol segment the rebound of domestic demands over the coming years.

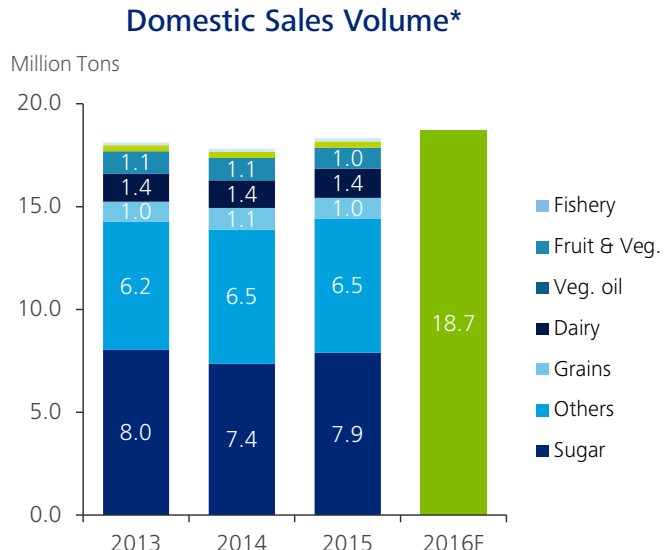
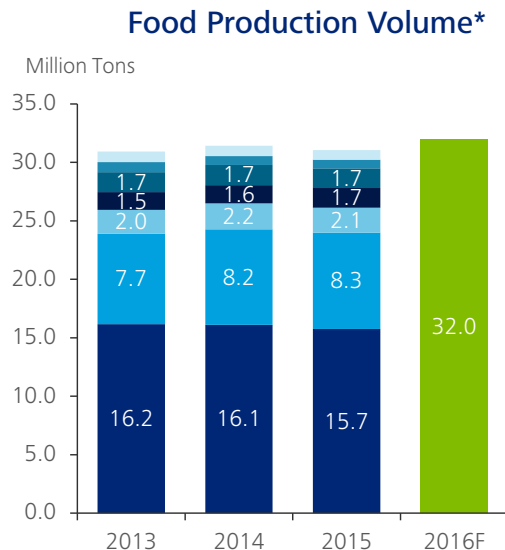
Sources: BOT, OIE, & OIE



# Food

The situation of Thailand's food industry in 2016 is expected to moderately improve from 2015s' amid domestic and global unfavourable factors.

- In 2015, food production volume was contracted by 1.2% due to several adverse factors. Total production volume in 2016 is forecasted at 32.0 million tons growing 2.5%YoY.
- In 2015, domestic food sales reached 18.3 million tons raising 2.9%YoY. For 2016, total sales volume is forecasted at 18.7 million tons or grow by 2% compared to 2015s'.



Sources: BOT, OIE, & DTTJ Analysis (Data as of February 2016)

\* Note: Production and consumption volume have been revised by Office of Industrial Economics startin from 2013.

Thailand's food export in 2015 was affected by both tepid global economic recovery and non-tariff barriers. In 2016, several key drivers are likely to underpin Thailand's food export position amid existing unfavourable factors.

- Thailand's food export during 2015 was contracted by 1.2% compared to 2014s' due to slow global economic recovery, low agricultural commodity prices, and non-tariff barriers (e.g. illegal fishery, GSP cutting, human trafficking) adopted by USA and EU.
- In 2016, a moderate rebound of Thailand's food export around 1.5-2% is expected thanks to increasing demands from major export markets and SME financial support scheme by Thai government.
- Similarly, Thailand's food import is forecasted to grow 3% from 2015 in line with Thailand GDP growth forecast.
- In addition, Thailand's key players in food industry are proactive to expand their footprints in overseas markets. Recently, Thai Union Group, the world largest tuna producer, has acquired Rügen Fisch AG to strengthen its competitive position in Europe.



Sources: BOT, OIE & DTTJ Estimate (Data as of February 2016)

# Beverage

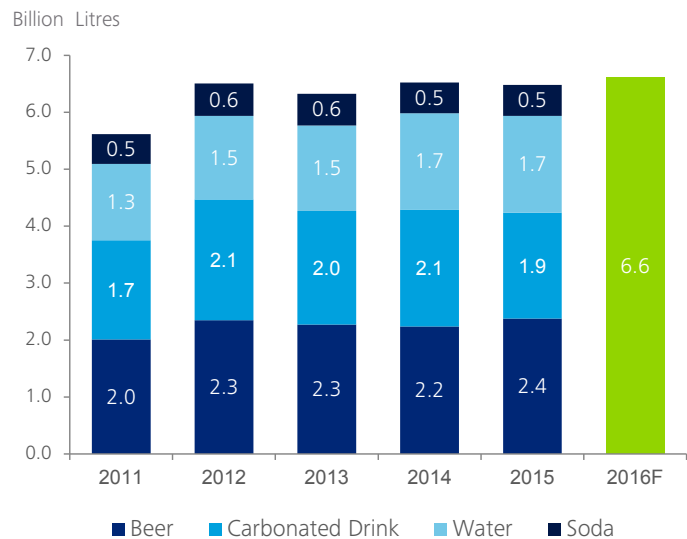
Thailand's beverage production was contracted at 0.6% in 2015 affected by sluggish domestic consumption, but expected to grow 2% in 2016 driven by both private and public consumption.

- In 2015, total key beverage output volume was 6.5 billion litres contracted 0.6%YoY thanks to sluggish domestic consumption.
- Growth of the beer market is likely to be modest in the coming years due to slowdown domestic consumption and market saturation.
- Competition among major beer producers continues to intensify. The local Boonrawd Brewery is expected to maintain its leadership in sales by volume. Likewise, ThaiBev, a leading producer of beer and spirit, continues to perform well and aggressively expands its business towards ASEAN market.

Sources: EIU, OIE, & DTTJ Estimates  
Note: data as of February 2016

## Key Beverage Production Volume

CAGR 2011 – 2016F = 3.3%





# Energy: Electricity

An expansion of domestic economic activities sustains the growth momentum of the demand for electricity during 2016. Natural gas remains the major source of electricity generation in the coming years. Alternative sources such as renewable energy, coal, and nuclear power will help secure Thailand's power supply from the rising demand in the future as planned in PDP2015.

## Situation in 2015

Electricity consumption grew by 3.4%YoY despite the presence of domestic economic slowdown. The country's gross energy generation and purchase was shifted from 172.0 billion kilowatt-hours (kWh) in 2014 to 177.8 billion kWh in 2015.

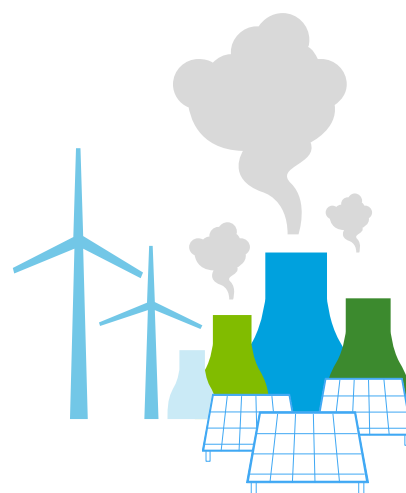
## Outlook 2016

Demand for electric power is likely to maintain its growth momentum as a result of the expansion of both public and private investment as well as the burgeoning of tourism industry. The total net energy demands, then, are predicted to grow approximately 3.5% from 2015.

## Long-term trend

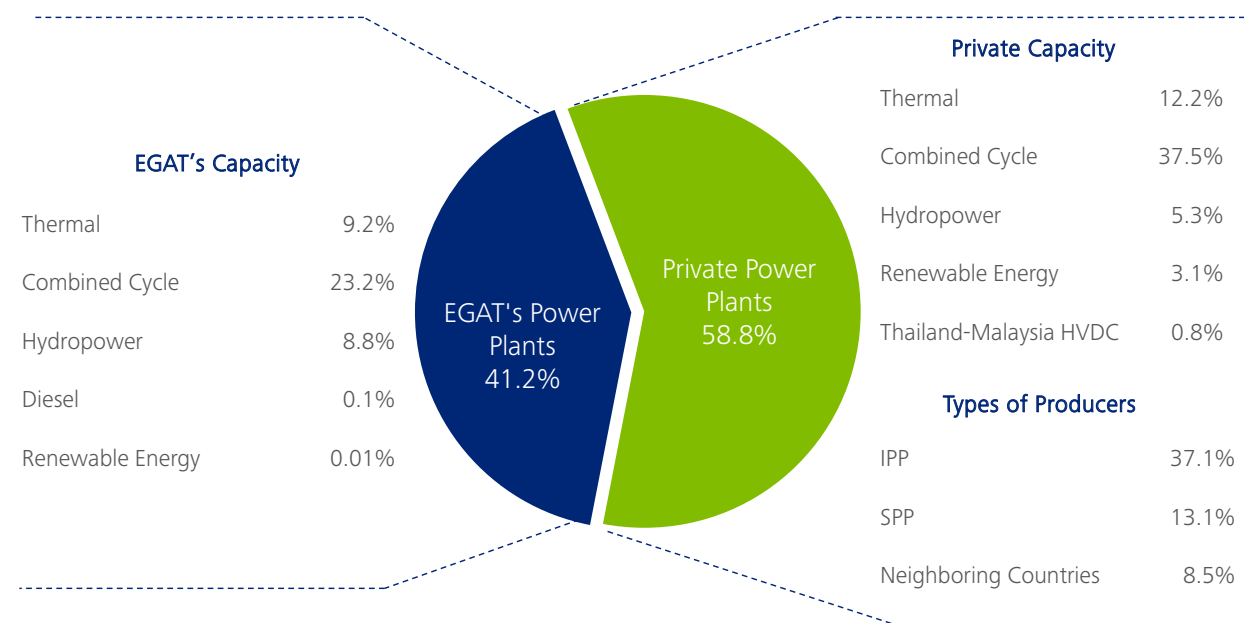
Thailand's electricity consumption is forecasted to rise by an average of 3.0% in the coming years in response to Thailand's real GDP growth projection. Natural gas will remain the dominant fuel for power. Nevertheless, the approved Thailand's new Power Development Plan 2015 (PDP2015) will ensure that various sources of power such as renewable energy, clean coal and nuclear power will be used to secure Thailand's power supply from the rising demand in the future.

Sources: BOT, EGAT, & Ministry of Energy (EPPO & DEDE)



The electricity generating proportion of private power plans reaches 58.8% in January 2016 and combined cycle represents more than 60% of total electricity generating capacity.

### Total Electricity Generating Capacity: 39,756 MW



Sources: EGAT & Electricity Generating Company Websites

Note:

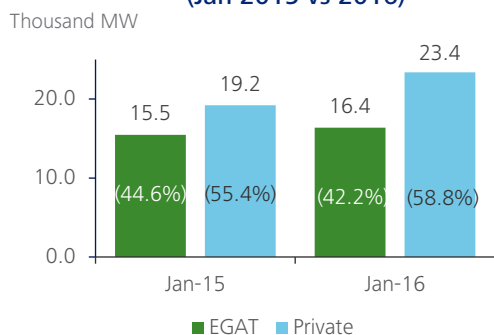
(1) Thai government has privatized electricity generating industry

(2) data as of January 2016

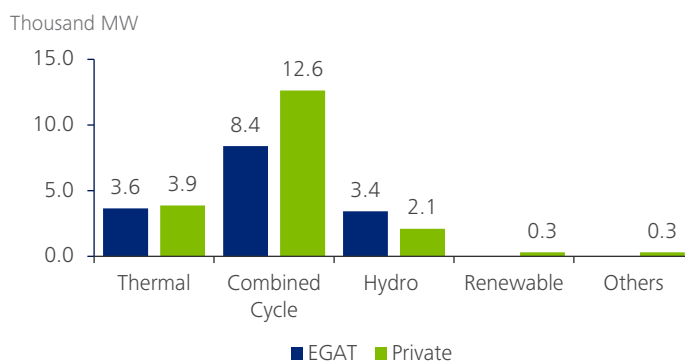
(3) MW = megawatt. 1 MW = 1 million watts

### Comparisons of electricity generating capacity – January 2015 vs. January 2016

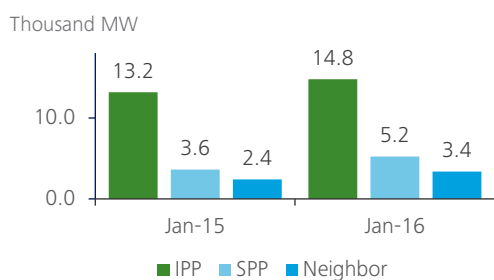
#### Thailand's Electricity Generating Capacity (Jan 2015 vs 2016)



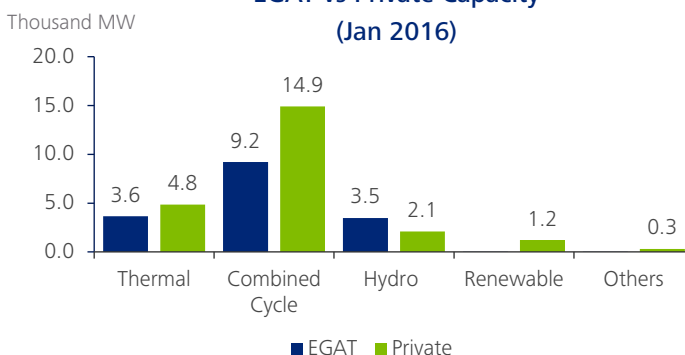
#### EGAT vs Private Capacity (Jan 2015)



#### Types of Private Capacity (Jan 2015 vs 2016)



#### EGAT vs Private Capacity (Jan 2016)

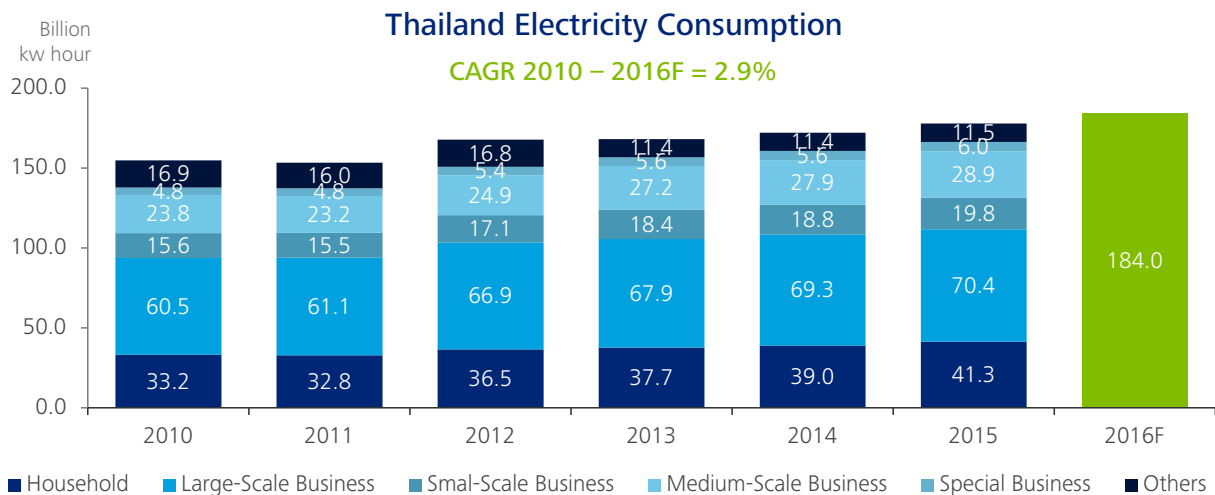


Sources: BOT, EGAT, Ministry of Energy, & DTTJ Estimate.

Note: kw hour = kilo-watt hour.

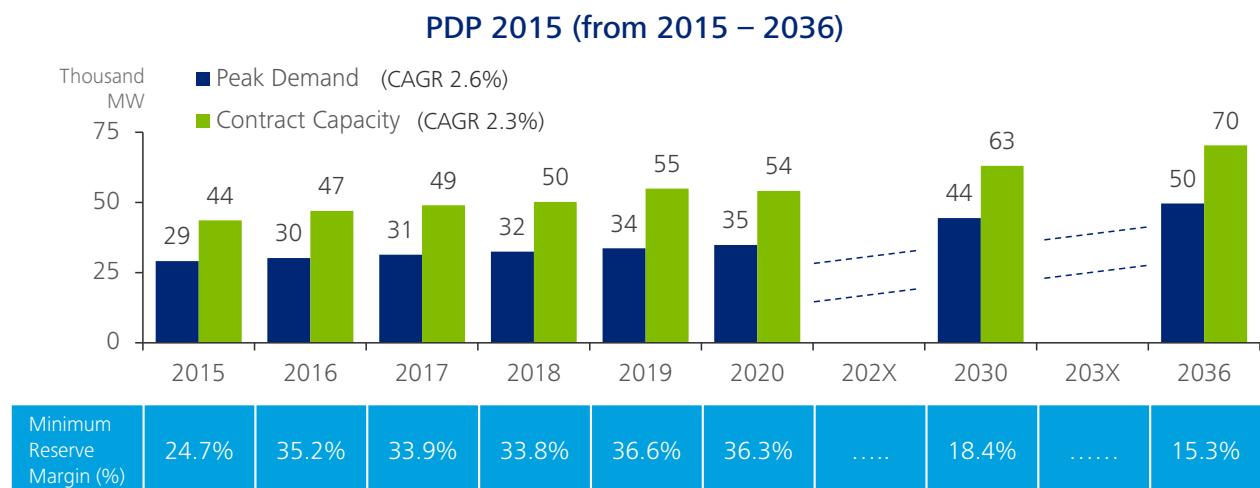
The majority of electricity consumption in Thailand stems from both large-scale business and household sector with an average long-term growth rate of 3.0%.

- The rate of electricity consumption is expected to rise approximately 3.5% in line with real GDP growth prediction in 2016.
- Large-scale business is the largest electricity user, followed by household sector (accounted for 40% and 23% of total electricity consumption respectively).
- Fossil fuels remain the main source for power generation despite the promotion of renewable energy utilization in the coming years. Its share of the total is forecasted at around 70% from 2015 – 2020.



Sources: BOT, EGAT, Ministry of Energy,  
& DTTJ Estimate Note: kw hour = kilo-watt hour

Thailand Power Development Plan 2015-2036 (PDP2015) aims to meet rising electricity demands with the achievement of three key goals including security, economy, and ecology.



- According to PDP2015, Thailand total electricity, the generating capacity in 2036 will be around 70,335 MW with the net capacity increase of 32,723 MW from 2014.
- Alternative Energy Development Plan 2015-2036 (ADEP2015) targets on increasing the share of renewable energy uses by 30% within 2036 resulting in replacement of conventional fossil-fuel power plants by renewable ones.
- Energy Efficiency Plan 2015-2036 (EEP2015) aims to achieve 30% reduction of energy intensity (i.e. energy consumption/GDP) as a part of energy saving and efficiency programs.

Sources: DEDE, EPPO & EGAT  
Note: MW = megawatt. 1 MW = 1 million watts

# Telecommunications

From 2016 onwards Major mobile operators concentrate on 4G services and expand their network coverage to take advantages from their investments, but also to meet NBTC's requirements. Non-voice services will continue to generate a larger proportion of industry revenue in the coming years.

## Situation in 2015

After the NBTC has deactivated the unregistered-SIMs, the total number of registered mobile connections at the 2015 year end were 83.0 million or declined 13.3%YoY. Of these, 68.7 million users or 82.7% are on pre-paid plans. The number of post-paid plans, by contrast, reached 14.3 million users or grow 11.4% compared to 2014s'. Likewise, the penetration rate dropped to 123.5% at the end of 2015. TRUE and AIS have secured NBTC's new licenses while DTAC has strategized to deploy its existing 850- 1,800- and 2,100-MHz spectrum in the most efficient ways.

## Outlook 2016

Competition among major mobile operators concentrates on 4G services. A considerable investment in infrastructure and network is expected with regard to NBTC's license conditions. There will be marginal changes of market share (e.g. subscribers, revenue) among major players mainly affected by marketing campaigns and network coverage.

## Long-term trend

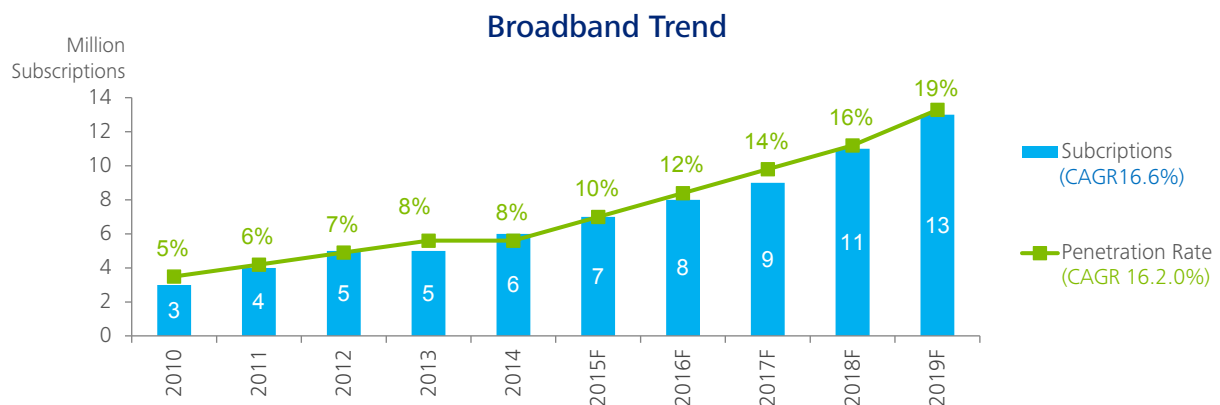
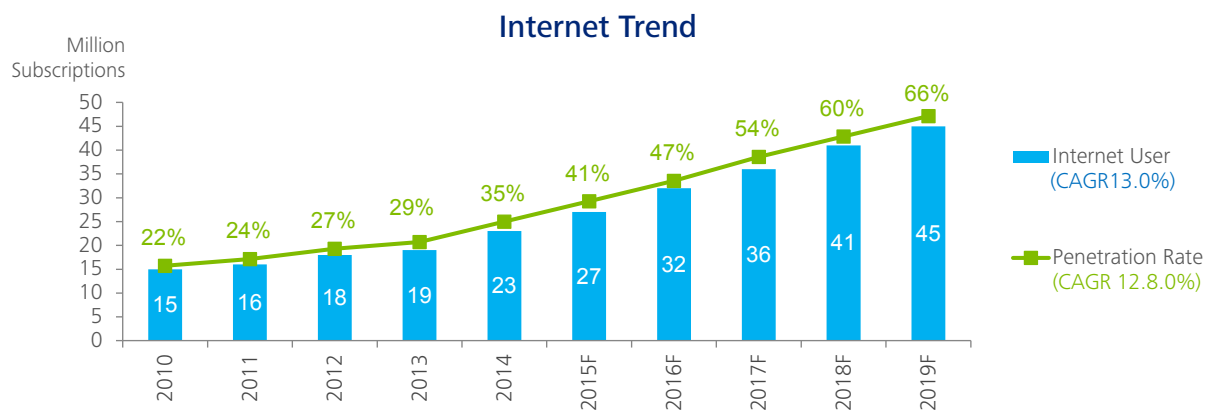
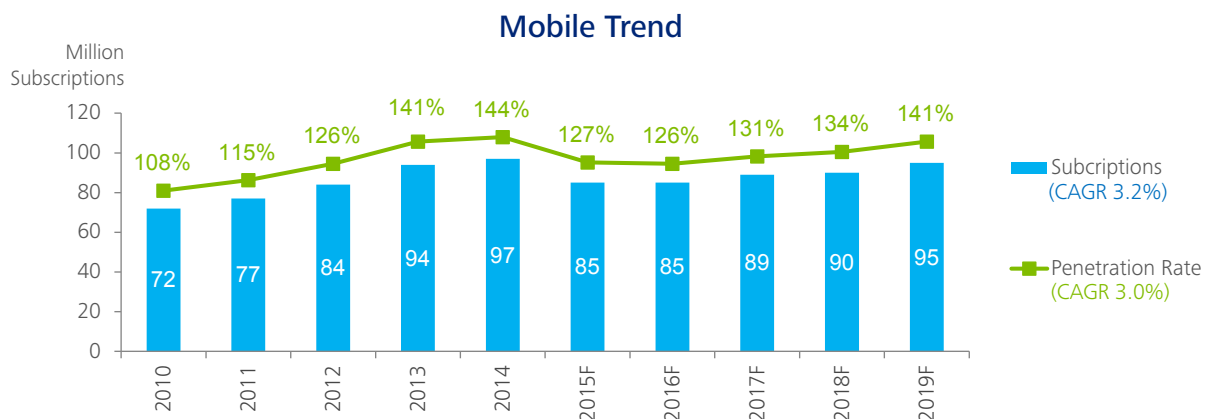
Future government policy on ICT will be in favour of all mobile operators as the interim government has committed to promote the Digital Economy in its agenda. A variety of newly integrated services especially financial service applications and alliances between mobile operators and business counter parties including banks, non-banks, retailers, and so on will play essential roles in driving the growth of telecommunication industry.

Sources: EIU, NBTC, & Ministry of Information and Communication Technology (MICT)



Mobile business gradually recover from 2016 onwards after a bulk of pre-paid sim cards were deactivated. Internet and broadband services continue their long-term growth momentum.

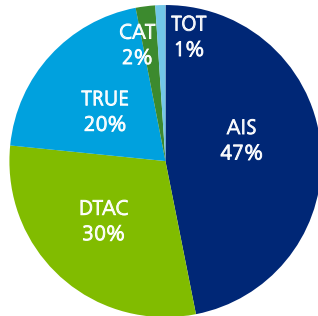
- According to NBTC's SIM Card registration scheme in response to the threat of terror attack, total mobile subscriptions and penetration rate in 2015 are contracted to 85.4 million and 126.6% respectively. From 2016 onwards, both subscriptions and penetration rate are forecasted to gradually rebound.
- Digital Economy Agenda by Thai Government will drive Internet and broadband service demands across various sectors in the coming years. Aggressive marketing campaigns for broadband services are under way and competition to extend the customer-base has intensified.



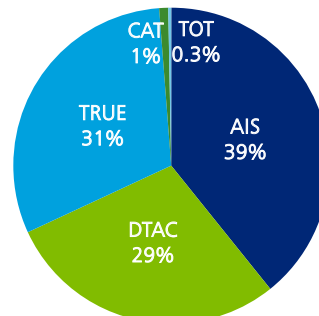
Sources: EIU, NBTC, & Ministry of Information and Communication Technology (MICT)

Intense competition among three major mobile operators continues with innovative services and marketing campaigns to boost advantages.

**Pre-paid Market Share 2015**  
(Total users: 68.7 million)



**Post-paid Share 2015**  
(Total users: 18.7 million)



Sources: EIU, Companies' Annual Reports and Websites, & NBTC  
Note: 1/ estimated form Q2 | 2015  
2/ ARPU (excl. Interconnection Charge).

- The majority of demand is dominated by pre-paid services, which expectedly continue through the medium term. As a bulk of unregistered SIMs (all on pre-paid plans) have been deactivated and led to a fall in subscriber numbers. According to the NBTC, the total number of registered mobile connections at the 2015 year end stood at 83.0 million or declined 13.3%YoY. Of these, 68.7 million users or 82.7% are on pre-paid plans. The number of post-paid plans, by contrast, reached 14.3 million users or grow 11.4% compared to 2014s'. This displays a low but growing appetite for longer term contracts.
- Not only lower service prices but also new aggressive market promotions in non-voice services such as higher-speed service (i.e. 4G) and low-end as well as mid-range smartphones will be focused to gain more market share in the future.

Competition among three major operators concentrates on 4G services.  
An increasing use of the Internet on smartphones and other mobile devices forces these operators to provide more innovative technologies and advanced services.

#### AIS

- AWN a subsidiary of AIS Group officially launched 4G services with a service area starting from 42 provinces in every region nationwide. It offered full-speed packages and a wide range of 4G service centers (Jan 2016).
- On November 13th, the first auction, of 1,800-MHz spectrum, was completed, with the winning of AIS for a price of 40.99 billion Baht (Nov 2015).
- AIS upgraded "AIS mPAY" to "Digital Money for Everyone". mPAY offers complete mobile payment convenience on mobile phones, upgrading into the most popular app in the field of finance (Sep 2015).

#### DTAC

- Invest 70 billion Baht in network expansion and marketing campaigns for its Super 4G Network and Super 4G offerings, which allows customers to enjoy 3 times faster Internet, together with DTAC's customer confidence boosting campaign (Feb 2016).
- Aim to become the leading mobile internet provider, and to expand 4G service on 1800MHz to support the soaring growth of mobile internet demand. In addition, it has invested 500 million Baht on "DTAC Network Analytics Solution" as an innovative trend to analyze consumer behavior (Sep 2015).

#### TRUE

- TRUE and JAS were the winners of 900 MHz spectrum licence by quoting 76.3 and 75.7 billion Baht respectively. Hence, True has the highest total bandwidth under NBTC licences - 15MHz of 2.1-GHz spectrum, 15MHz of 1800-MHz spectrum and 10MHz of 900-MHz spectrum. (Dec 2015). However, JAS missed the deadline for paying for 900-MHz spectrum license it won. (Mar 2016).
- On November 13th, the first auction, of 1,800-MHz spectrum, was completed, with the winning of AIS for a price of 39.79 billion Baht (Nov 2015).

Sources: EIU, Companies' Annual Reports & Websites

## Upcoming Report Highlights Coming next in July'16

### ASEAN Economic Community

AEC Blueprint 2025: Goals, Strategies & Challenges

### New Thailand key industry updates

Current Situation of Key Industries:

Electronics, Real Estate, Wholesale and Retail Sales, and Tourism in Thailand.





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